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Structural changes in the global apparel industry have led to a new market environment in which part of the apparel channel members (specifically, apparel import intermediaries or AIIs) have had to assume new market responsibilities and have taken different approaches to their conventional functional activities. The purpose of this study was to investigate the basic nature of these firms' business operations, that is, the relationships among AIIs' capabilities, competitive advantages, and performance in the hyper-dynamic market environment of the apparel industry. In order to do so, this study (a) developed an integrative model of AIIs' capabilities, competitive advantages, and performance; and (b) conducted an empirical assessment of the model, using survey methodology.

Drawing from the first phase qualitative interview studies, extant theory, and literature in the strategy, marketing, and organizational management disciplines, the study proposed an integrative model of AIIs' capabilities, competitive advantages, and performance. A survey was developed to test the causal relationships of these three major constructs of interest. Subsequently, 807 firms were randomly drawn from ReferenceUSA, an Internet-based firm database that includes U.S. apparel manufacturers and wholesalers. Out of an adjusted sample of 736 firms, a total of 159 firms returned usable surveys, resulting in a 21.6% response rate. Structural Equation Modeling was employed for data analysis using LISREL 8.72 and tested the causal relationships among AIIs' capabilities, competitive advantages, and performance.

Overall, the study's findings supported the predicted positive impact between AIIIs' capabilities of market interpretation, sourcing, and service and the competitive advantages of cost, product, and service. The results also supported the predicted positive impact between AIIIs' competitive advantages and their relationship performance with domestic clients and foreign suppliers. Consistent with the resource-advantage theory of competition, the study supported the role of competitive advantages as the direct antecedents of AII performance and the role of functional capabilities as the indirect antecedents of performance. This study concluded with research contributions and implications, study limitations, and directions for future research.

CAPABILITIES, COMPETITIVE ADVANTAGES, AND PERFORMANCE
OF APPAREL IMPORT INTERMEDIARIES IN A
HYPER-DYNAMIC MARKET ENVIRONMENT

by

Jung E. Ha-Brookshire

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APPROVAL PAGE

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CHAPTER I

INTRODUCTION

Chapter I contains the following sections: (a) Significance of the Study, (b) Gaps in the Research, (c) Statement of the Research Questions, (d) Statement of the Research Objectives, (e) Research Assumptions, (f) Definition of the Key Terms, and (g) Organization of the Study.

Significance of the Study

The study investigated the important firm operation issues on import intermediary firms that link domestic clients and foreign suppliers in the global apparel supply chain. Due to globalization, the world has become extremely interconnected and people across the world have developed strong interdependent relationships in all phases of their lives (Kunz & Garner, 2006). From the business perspective, globalization means that firms must seek ever-increasing levels of profits necessary to continue their businesses in a global economy. For example, U.S. firms are now importing products from most of the countries in the world and the importing of products has been increasing exponentially. Between 2000 and 2005, the value of U.S. imports has risen from \$1.45 trillion to \$2.0 trillion in nominal dollars, or by 38% (Progressive Policy Institute, 2006, April). Particularly, the amount of apparel in world trade was extremely significant as it accounted for \$276 billion, or 13.8%, in 2005 (World Trade Organization [WTO], 2006).

This increase in importing is expected to be more intensified in the future, driven by strong consumerism in U.S. society.

From consumers' perspectives, globalization has provided a greater chance of access to a wider range of apparel products at better prices than ever before. Currently, there are many studies that suggest U.S. consumers, in fact, have financially benefited from the constantly escalating volume of products at lower prices imported from developing countries (Kunz & Garner, 2006). For example, U.S. importers have paid approximately \$2 billion per year to bring in over a billion units of infant wear, while the cost of these clothes to them has fallen by 30% since 1997 (Progressive Policy Institute, 2003, November). More specifically, the average cost of a dozen units of infant wear has fallen from approximately \$28.00 in 1997 to \$20.15 in 2003. The data also reveal that U.S. consumers have purchased more units of infant wear as the volume of imports have doubled from 43 million units in 1997 to a likely 100 million units in 2003 (Progressive Policy Institute, 2003, November). This pattern has been seen in most other apparel product items.

Given that the apparel industry is the most globalized of all industries, it is clear that it plays a significant role in the U.S. economy as well as in the global economy (Dicken, 2003). On January 1, 2005, fueled by the elimination of the U.S. quota system, which covered 45 countries and 79% of U.S. textile and apparel imports in 2004, the United States accounted for approximately a third of the world's apparel trade, or \$78 billion, in clothing imports (Progressive Policy Institute, 2006, February; U.S. International Trade Commission [USITC], 2006). Although some portion of the apparel

imports are handled directly by U.S. retailers (such as Wal-Mart or Target) or *marketeers* (such as Nike or Reebok), it is clear that other firms must be assuming the major responsibility for this explosive increase in apparel imports, that is, the linking of foreign manufacturers and domestic clients (Ellis, 2007). For the purposes of this study, these firms are given the name of apparel import intermediary firms (AIIs), and, because of a significantly changed market environment, there is a strong need to understand AIIs and their business operations.

By examining U.S. AIIs in the global apparel supply chain, this study made several important contributions to the body of knowledge. First, the study empirically supported the resource-advantage theory of competition and suggested important theoretical implications for intermediary firm operations in a global economy. Second, the study's findings provided critical insights into AIIs' capabilities, competitive advantages, and performance that may help AIIs with practical business solutions. Third, the study presented a new definition of AIIs, highlighting the issue of AIIs' identity, and provided a much needed descriptive business profile of U.S. AIIs to help to understand the reality of industry phenomena and recognize changes in the global apparel industry. Finally, the study confirmed the unique nature of the U.S. apparel industry environment and emphasized that great care should be taken in adapting extant measurement scales developed in other industries or disciplines. Thus, the study suggested different meanings regarding AIIs' capabilities and performance than those typically associated with intermediary firms in the apparel industry.

Gaps in the Research

Dictionary of Business by Oxford University Press defines an intermediary as any firm in a distribution channel whose job is to help other firms find customers or make sales to them. Past interest in intermediary studies has focused on exports, as exporting is a critical channel for foreign market entry and sales expansion (Bello, Chelariu, & Zhang, 2003; Cavusgil & Zou, 1994; Morgan, Kaleka, & Katsikeas, 2004; Souchon & Diamantopoulous, 1997). As a result, an export intermediary (EI) research stream has developed, which has looked at trading companies, manufacturers' representatives, or distributors with a focus on export management companies or export trading companies (Balabanis, 2000, 2001; De Noble, Castaldi, & Moliver, 1989).

In particular, Peng and his colleagues have specifically stressed that more rigorous research on EIs is necessary to recognize firms that deal with not only their own goods as export departments of manufacturers, but also other manufacturers' or wholesalers' goods as middlemen (Peng & Ilinitich, 1998; Peng & York, 2001; Peng, Hill, & Wang, 2000). They have defined export intermediaries as [domestic] specialized service firms bridging the gap between domestic manufacturers and foreign customers. Although EI research has become an active research area in recent years, research in this area could be characterized as relatively new (when compared with other strategic management literatures) and focused in large part on the roles, service, and functions of EIs. These studies have not directly considered the role of importers.

While a body of import literature exists, most import studies found in the literature have been related to importers' behavior as it would help foreign exporters.

Importers in these studies have been viewed as ultimate buyers of foreign products and analyzed from the foreign sellers' perspective in an effort to increase their international sales (Deng & Wortzel, 1995; Reichel, 2000). Thus, importers' behavior research has been interested in importers' motives and barriers in the selection/rejection of foreign supplier alternatives, the decision-making process for choosing foreign suppliers, and importers' relations with foreign suppliers (Overby & Servais, 2004).

As the United States has transitioned from a net exporter to a net importer in the apparel trade, the contributions of AII firms have shifted in importance. Today's AIIs provide vital functions for both domestic clients and foreign suppliers in the global apparel supply chain. Despite this critical shift in importance, most academics and policy-makers have continued to focus on manufacturing and exporting when analyzing the apparel industry, with little attention to these important channel members. The result has led to a critical gap in our understanding of vital supply chain members in a global economy—apparel import intermediaries.

Statement of the Research Questions

In order to fill the gaps in the import intermediary literature, this study explored the basic nature of AIIs' business operations, that is, the capabilities and performance of AII firms in the hyper-dynamic apparel market environment, with a special focus on the role of competitive advantages as the direct antecedents of AIIs' performance. Specifically, the study examined the impact of AIIs' competitive advantages—cost, product, and service advantages, respectively—on various AIIs' performance outcomes, including economic, non-economic strategic, and relationship performance. Once the

roles of AIIs' competitive advantages have been identified, the study investigated the possible impact of AIIs' functional capabilities—design, marketing, sourcing, and service capabilities—on these competitive advantages to examine the indirect effects of AIIs' capabilities on their performance.

Statement of the Research Objectives

In order to address the research questions and deal with a lack of extant research on AIIs, the study took place in two steps: (a) a first phase qualitative interview study and (2) a second phase quantitative mail survey study. First, as part of dissertation preparation, the researcher conducted in-depth qualitative interviews with 13 executives of U.S. AII firms and completed two preparatory research manuscripts. The first manuscript investigated AIIs' environment, development, and functions in a hyper-dynamic market environment (see Ha-Brookshire and Dyer [2006] for details). The second manuscript explored the meaning of success and the secrets to success described by AII participants (see Dyer and Ha-Brookshire [in press] for details).

The first preparatory study reported that U.S. AII firms carry out unique functional activities when linking domestic clients and foreign suppliers in the global apparel supply chain. Specifically, the hyper-dynamic apparel market environment has shaped AIIs' functional activities into unique apparel firm activities, including interpretation-oriented design, on-the-floor-experiential marketing, relationship-oriented sourcing, and 24/7-intimate customer service. The second preparatory study suggested that the AII expert informants described success as reaching a long-term presence, a platform, from which they could impact the industry through creative expression. This

result was far different from traditional views of success that focus on firms' sales or growth. AIIs' creative impact on the market, in turn, was seen to help AIIs build their competitive advantages in a hyper-dynamic market environment. AIIs' three main success factors emerged from the data were (a) immersion knowledge management, (b) simultaneous dual relationship management, and (c) flexibility saturation.

Built upon the first phase qualitative interview studies, the second phase quantitative mail survey study was designed to expand part of the interview study findings to a larger, nationwide population of U.S. AIIs. As the first step to understand these firms, the survey study targeted the basic and fundamental interests in AII firms' operations and performance, seeking to empirically test the relationships among AIIs capabilities, competitive advantages, and performance in a hyper-dynamic market environment. Consequently, this part of dissertation study was designed to (a) develop an integrative model of AIIs' capabilities, competitive advantages, and performance in a hyper-dynamic market environment; and (b) conduct an empirical assessment of the model.

In developing an integrative model of AIIs' capabilities, competitive advantages, and performance in a hyper-dynamic market environment, resource-based view of the firm and the resource-advantage theory of competition were used as the study's theoretical framework. These frameworks helped to understand the characteristics of AII firms and the process of AIIs' competition in a hyper-dynamic environment. The role and concept of market environment and firm performance discussed in the current management, marketing, and international business literature were also important for the

study as they laid out a foundation for understanding the relationships among firms' behavior, environment, and performance. An overview of the global apparel industry was necessary to formally define and correctly identify AIIs in this new environment, especially given the changed roles of apparel channel members in today's market environment.

Once an integrated model of AIIs' capabilities, competitive advantages, and performance was developed, an empirical assessment of the model was conducted, using the mail survey technique. The self-administered survey is a useful research technique to estimate the distribution of characteristics in a population, and it allows researchers to sample a great number of respondents over a wide geographic area (Dillman, 2000). A survey was developed based on the results of the first phase qualitative interview studies on AIIs and the extant empirical research in the export performance literature. The first phase qualitative interview studies offered important insights into AIIs' functional activities and their secrets to success. The extant export performance research provided what little insight on performance was available due to limited research in the import performance literature.

The initial survey instruments were refined through face validity assessment by five academic researchers in the areas of consumer, apparel, and retail studies and educational research methodology. The survey instruments were further polished through pre-testing by 15 to 20 industry experts, including 13 AII firm executives who participated in the first phase qualitative interview studies. This process, participation confirmation, helped to increase the exploratory interview studies' validity (Nelson,

Labat, & Williams, 2002). Finally, a full mail survey was administered to a nationwide sample of U.S. apparel import firms that were randomly selected from the ReferenceUSA database. The survey results were analyzed through exploratory factor analysis and structural equation modeling (SEM), using LISREL 8.72. Post-hoc model modifications were also explored.

Research Assumptions

As with all research, a number of assumptions underlay this study. The mail survey study was constructed based on several common assumptions. First, because the study employed survey methodology, it assumed that survey respondents were capable of answering survey questions knowledgeably and accurately. The study also assumed that corporate executives were expert informants and, having been used in numerous firm performance research studies for their ability to provide the insights or experience necessary to answer specific survey questions, were appropriate for answering this study's research questions. In addition, survey methodology in general assumed that what respondents answer was representative of what they actually do.

Next, the study made additional assumptions based on the data analysis tool selected—structural equation modeling. Because the study estimated structural relationships among the study variables using Maximum Likelihood (ME) estimation, it assumed multivariate normal distributions of the study variables. This was a very basic assumption, as the validity of ME, though it is the most widely used normal theory estimator, in general, does not hold under extreme non-normal distributions (Hoyle, 1995). Moreover, SEM assumes linear relationships, or unidirectional causal

relationships, between the study's indicator and latent variables, as well as between latent variables. This was a notable assumption as well, especially when the relationships of the variables of interest are not known (Hoyle, 1995).

Definition of the Key Terms

Below are the definitions for the key terms that used throughout the text.

Apparel Import Intermediary (AII)	Refers to a domestic apparel service firm that links domestic wholesalers/retailers and foreign distributors/manufacturers to facilitate import transactions in the global apparel supply chain (Ha-Brookshire & Dyer, 2006).
Apparel Industry	Typically refers to the industry segment involved in the manufacture of garments and certain accessories (Dickerson, 1999), expanded in this study to include the industry segment with companies that design, manufacture, market, and/or license brands for men's, women's, and/or children's clothing, footwear, and accessories (Bitpipe.com).
Competitive Advantage	A firm is said to have a competitive advantage, when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors (Barney, 1991). Competitive advantages are composed of a firm's relative value that was produced by its resources and relative resource costs for producing such value (Hunt, 2000).

Domestic Clients	Refers to an intermediary firm's domestic business partners, including retailers or other wholesalers (study definition).
Export Intermediary	Refers to a domestic specialized service firm bridging the gap between domestic manufacturers and foreign customers (Peng & Ilinitch 1998; Peng & York 2001; Peng, Hill, & Wang, 2000).
Firm	Refers to a collection of productive resources, seeking to achieve above-normal returns (Barney, 1991; Conner, 1991). This definition is based on the resource-based view of the firm.
Firm Capabilities	Refers to complex bundles of skills and accumulated knowledge, exercised through organizational processes that enable firms to coordinate activities and make use of their assets (Day, 1994). Firm capabilities are part of firm resources.
Firm Performance	Refers to the outcome of firms' structure, strategies, planning, and any other activities. Firm performance is multi-dimensional and can be assessed via economic, subjective, strategic, and other measures (Cavusgil & Zou, 1994; Dess & Robinson, 1984).
Firm Resources	Refers to the tangible and intangible entities available to the firm that enable it to produce efficiently and/or effectively a market offering that has value for some market segments (Hunt, 2000. p. 138). Resources are heterogeneous and imperfectly mobile (Hunt, 2000).

Foreign Suppliers	Refers to an intermediary firm's foreign business partners, including manufacturers or other distributors (study definition).
Globalization	The process whereby the world's people and businesses are becoming increasingly interconnected in all phases of their lives and actions (Kunz & Garner, 2006).
Hyper-dynamism	Refers to a market environment which incorporates high levels of the four dimensions of environment—complexity, dynamism or turbulence, competitive resource availability, and an accelerated business cycle (Dyer & Ha-Brookshire, in press).
Manufacturers	Refers to establishments engaged in the mechanical, physical, or chemical transformation of materials, substances, or components into new products. The assembling of component parts of manufactured products is considered manufacturing, except construction (U.S. Census Bureau, 2006, February).
Resource- advantage Competition	Refers to a constant struggle (the process of competition) among firms for relative advantages in resources that will yield marketplace positions of competitive advantage for some market segment(s) and, thereby, superior financial performance (Hunt, 2000).

Retailers	<p>Refers to establishments engaged in selling merchandise, generally without transformation, and rendering services incidental to the sale of merchandise to the ultimate consumer. Retailers sell merchandise in small quantities to the general public (U.S. Census Bureau, 2005b, p. B-1).</p>
Sourcing	<p>Refers to the process of determining how and where manufactured goods or components will be obtained (Dickerson, 1999).</p>
Supply Chain	<p>A set of three or more entities (organizations or individuals) directly involved in the upstream and downstream flows of products and/or services from a source to a customer (Mentzer, DeWitt, Keebler, Min, Nix, Smith, and Zacharia, 2001).</p>
Wholesalers	<p>Refers to establishments engaged in wholesaling merchandise, generally without transformation, and rendering services incidental to the sale of merchandise to another channel member. Wholesalers sell or arrange the purchase or sale of (a) goods for resale to other wholesalers or retailers, (b) capital or durable non-consumer goods, or (c) raw or intermediate materials or supplies used in production (U.S. Census Bureau, 2005c, p. B-1).</p>

Organization of the Study

This dissertation study is divided into six chapters. Chapter I presents the importance of the study, gaps in the research, statement of the research questions, statement of the research objectives, research assumptions, definition of the key terms, and the organization of the study. Chapter II provides the literature review pertaining to firm performance and apparel import intermediaries in the global apparel supply chain, including theories of the firm, resource-advantage theory of competition, market environment, firm performance, an overview of the global apparel industry, and apparel import intermediaries. Chapter III discusses empirical research relevant to AIIs' capabilities, competitive advantages, and performance, research gaps, the study's conceptual model, and the research hypotheses. Chapter IV presents the research methodology, including the research design and survey instrument development, sample, data collection procedures, and data analysis techniques. Chapter V presents the study's results and analysis, including sample description and response rate, characteristics of the survey respondents, results of testing for non-response bias and measurement differences, measurement model analysis results, structural model analysis results, testing for research hypotheses, and post hoc model modifications. Finally, Chapter VI offers a summary of the study, research contributions and implications, study limitations, and future research.

CHAPTER II

REVIEW OF LITERATURE

This chapter contains the following sections: (a) Theoretical Framework, (b) Market Environment, (c) Firm Performance, (d) The Global Apparel Industry, (e) Apparel Import Intermediary, and (f) Summary.

Theoretical Framework

As an economy becomes globalized and the meaning of national borders begins to blur, the nature of firms' functions and activities in a global economy may also change. In the past, economics, finance, management, and marketing have all put forward theoretical frameworks to provide systematic structures to adequately explain and predict the existence and behavior of firms—theories of the firm (Vibert, 2004). In addition, as competition among firms has heightened in ever-challenging market environments, firm strategy researchers have been specifically interested in the nature of firm competition, leading to a new research stream—economic theories of firm competition. While emphasis has largely been focused on the outcomes of competition for society and economic efficiency, most economic theories of competition have sought deeper insights into firms' competitive advantages over their rivals to explore the role of firm strategy and action in the process of competition (Grimm, 2006). Particularly, the resource-advantage theory of competition has been proposed to explain and predict the process of dynamic firm competition in today's market environment (Hunt & Morgan, 1995, 1997).

In order to investigate All firms' behavior and their competitive advantages in a highly complex global market, the resource-advantage theory of competition drawn from resource-based theory of the firm offers important insights. These theories were reviewed in order to provide a framework for exploration of this study's research questions.

Theories of the Firm

Theories of the firm are interested in the very nature of the firm, exploring such questions as why firms exist, why certain firms perform better than others, and why firms behave as they do (Conner, 1991; Vibert, 2004). The topic of theories of the firm has been much discussed in the organization and business strategy literature and has resulted in various perspectives of the firm. In the current literature, four unique perspectives of theories of the firm have been identified. They were (a) economic theories, (b) functional organization theories, (c) interpretive and social constructionist perspectives, and (d) radical humanist and structuralist perspectives (Vibert, 2004). The vast majority of theory development and empirical testing has been focused on the economic perspective.

Economic Theories of the Firm

Economic theories of the firm, the most widely and intensely discussed in the literature, are managerially oriented and functional in nature (Vibert, 2004). Economic theorists often seek to predict the future behavior of the firm in a given market. Thus, firm performance often becomes the bottom-line measure for the firm's existence or survival in the future environment (Grant, 1996). These theories also aim to establish the

firm's objectives and set frameworks to analyze consequent firm strategies (Seth & Thomas, 1994).

Within the economic theories of the firm, numerous approaches were taken to explain different firm behaviors and firm objectives. Different researchers classify them differently as the purpose of their classification might vary (for example, Conner, 1991; Vibert, 2004). Seth and Thomas (1994), in particular, were interested if extant economic (including finance) theories of the firm would help strategy researchers. Consequently, they reviewed and classified current economic theories of the firm into seven categories. They were (a) the neoclassical theory of the firm, (b) the traditional industrial economics, (c) the new industrial economics, (d) the behavioral theory of the firm, (e) the managerial view and resource-based view of the firm, (f) agency theory and the firm, and (g) the transactions cost framework.

First, in the neoclassical theories of the firm, firms exist to produce products or services by two inputs: capital and labor. The right 'mix' of capital and labor in perfect competition would yield the best combination of prices and quantities of particular products, thus the firm's main objective is to maximize profits (Conner, 1991; Hunt, 2000; Vibert 2004). In this context, the firm represents a production function that would lead to maximum profits by optimizing its labor and capital allocations. The focus of this perspective, therefore, is to calculate the marginal utility of each additional input, assuming all the resources freely move and are completely divisible. In this view, all the firms in the market are relatively homogeneous and small, and gaining an understanding

of the firm's internal characteristics is deemed to be extremely difficult (Conner, 1991; Hunt, 2002; Seth & Thomas, 1994).

Second, the traditional industrial organization (IO) economics assumes a unidirectional causal flow from industry structure through firm conduct to firm performance—the Structure-Conduct-Performance (SCP) paradigm (Seth & Thomas, 2004). Typically, firm behavior is ignored under assumed perfect competition. While firm managers' perceptions about the industry structure vary within an industry, however, different conduct by different firms becomes a focus. Industry structures that are important for firm performance in the traditional IO theories may include the degree of concentration, diversification, barriers to entry, the presence of scale economies, and product differentiation (Seth & Thomas, 1994). Naturally, the majority of traditional IO theorists have been interested in public policy, suggesting the normative-oriented nature of this perspective (Seth & Thomas, 1994). Although, the traditional IO perspective provided an importance of firm managers' perceptions about the industry structure for firm behavior and performance, it shares most of the basic assumptions with the neoclassical economic theories of the firm, including profit maximization as the firm's ultimate objective (Conner, 1991).

Third, the new IO economics perspective, although it accepts the SCP paradigm, focuses on formal theoretical analyses of the industry structure and the behavior of firms, including firms' market strategies and internal organization (Tirole, 1988). For example, Encaoua, Geroski, and Jacquemin (1986, as cited in Seth & Thomas, 1994) argued firms' current market strategies or conduct not only directly impact its rival's behaviors, but also

indirectly affect the industry structure, thus, this interaction effect between firms' current strategies and industry structure ultimately changes the dynamics of future market structure, by setting higher bar entry or lower intra-industry activities. Heavily relying on the mathematical method of game theory, the new IO economic theories view the firm as a rational and intelligent player maximizing their payoffs, and all players know that other players will do the same (Seth & Thomas, 1994). Michael Porter (1980, 1985) is believed to be one of the most notable researchers from the new IO theories of the firm.

Fourth, the behavioral theory of the firm rejects assumptions about the rationality of 'economic man' that the neoclassical and IO theories of the firm share. Instead, behavioral theorists believe that individuals have bounded rationality (Simon, 1947). Bounded rationality assumes that individuals select the first best alternative option that is simply good enough in a given situation because the costs of optimizing in terms of time and effort are too great (Ackoff, 1981). In an organizational context, firms are assumed to focus on making satisfactory decisions rather than optimal decisions. From this perspective, the firm is viewed as a collection of multiple constituencies with multiple goals in an ambiguous and uncertain business environment (Simon, 1957). Faced with ongoing constraints and challenges of multiple goals, behavioral theorists are particularly interested in the actual process of the firm's decision making behavior, including conflict resolution, uncertainty avoidance, problem search, and organizational learning (Cyert & March, 1963).

Fifth, as per Seth and Thomas (1994), the managerial perspective of the firm was originated by Berle and Means (1932) who raised the issue of the separation of ownership

from management in the large, publicly-held firm. Firm managers in public firms may pursue activities that are beneficial to managers themselves rather than public shareholders. Thus, a manager's motivation may not be profit-maximization, but more realistic or personal. This view was challenged by Penrose (1959) who proposed that a firm (or a firm manager) does have incentives to enhance the productivity of resources, despite the separation of ownership from management, because there would be no conflict between managers and shareholders. Thus, as per Penrose, "the firm is much more than an administrative unit; it is also a collection of productive resources utilized in the firm's operations" (as cited in Seth & Thomas, 1994). This perception of the firm has become the foundation of the resource-based view of the firm later. The resource-based view of the firm argues that firms seek to achieve above-normal returns by distinctive products or lower price and, thus, unique and costly-to-copy resources are critical to sustain above-normal returns (Barney, 1991; Conner, 1991).

Sixth, the agency theory perspective of the firm, developed in financial economics, focuses on a long-term wealth maximization of the firm to its shareholders (Seth & Thomas, 1994). This perspective is particularly interested in the contractual relationships between principals and their agents, or the shareholders and the firm's managers. That is because these contractual relationships are believed to constrain managerial judgment and promote actions in the shareholders' best interests. Thus, the primary focus of agency theory is the effects of various factors in the contracting environment on the firm's contractual relations with its employees, suppliers, customers, creditors, and other stakeholders (Seth & Thomas, 1994). The important factors in the contracting

environment may include uncertainty, information asymmetry, risk and effort preferences of agents, cost of monitoring and bonding devices, and so on. From this view, firms exist because of the advantages of team production and firms are controlled by a series of contractual relationships, not by authority (Alchian & Demsetz, 1972; Jensen & Meckling, 1976). Thus, the firm is regarded as “a nexus for a set of contracting relationships among individuals” that often have conflicting objectives, and firm managers act to minimize agency costs (i.e., monitoring costs by the principal, bonding costs by the agent, or the residual loss) in their own interests (Jensen & Meckling, 1976, p. 310).

Finally, the transaction cost perspective of the firm was developed by Williamson (1976, 1985, 1988), built upon Coase’s (1937) market failures framework. Market failure refers to a situation where transaction costs become excessive, resulting in too few firms or individuals participating in the market (Geroski, Machin, & Walters, 1997).

Transaction costs are defined as the costs of operating the economic system or the costs of consumption over and above the purchase price of a product or service (Williamson, 1976). Transactions costs arise in a contractual setting either because the nature of the good or service is complex or because the exchange partner (the other firm) is untrustworthy. Because human actors exercise both bounded rationality (intentionally rational, but in a limited sense) and opportunism (they will not fully disclose truth upon requests), firms face extreme difficulties to write and enforce contracts. From this perspective, the firm is viewed as a governance structure that is crafted to minimize transaction costs by efficient ways of negotiating, monitoring, and enforcing contracts.

Although there is much discussion about the differences between agency theory perspective and transaction cost perspective (for example, Williamson, 1988), these two perspectives are viewed as complementary to understand how internal activities of the firm are organized (Seth & Thomas, 1994).

Functional Organization Theories of the Firm

Similar to economic theories of the firm, functional organization theories are also implicitly manager-oriented and explicitly examine regularities and relationships that lead to generalizations in the behavior and performance of the firm (Gioia & Pitre, 1990). Functional organization theories, however, are different from economic theories of the firm in several ways. Functional theories analyze organizations, not just business enterprises. Firm performance in functional theories is not limited to corporate bottom line or economic market measures; rather it includes other forms of performance, such as survival or legitimacy. Additionally, functional theories do not consider organizations as singular decision makers. They focus on internal organizational structures and the relationships between constituent units and departments (Grant, 1996; Pfeffer, 1982). Vibert (2004) categorized several perspectives under the category of functional organization theories, including those of bureaucracy, contingency, strategic choice, resource dependence, population ecology, institutions, and chaos theory.

Interpretive and Social Constructionist Perspectives of the Firm

Interpretive and social constructionist perspectives of the firm originated from the paradigm of interpretivism. Both economic and functional theories of the firm view

organizational members as over-socialized, passive, determined role-takers, while interpretivists view them as under-socialized, active role-makers (Vibert, 2004). Thus, people in firms are self-ruling and capable of making choices on their own. These perspectives also believe that organizational realities are socially and symbolically constructed and sustained by people (Gioia & Pitre, 1990). Therefore, descriptions, insights, and explanations of events are important to interpret and understand modern organizations. Examples of these approaches are symbolic interactions, dramaturgy, the use of metaphors, sense-making, organizational rules, and culture perspectives (Vibert, 2004).

Radical Humanist and Structuralist Perspectives of the Firm

Unlike economic, functional, and interpretive perspectives to theories of the firm, radical humanist and structuralist perspectives confront and critique extant beliefs, assumptions, and institutions (Vibert & Hurst, 2004). Radical humanism seeks to “free organization members from sources of domination, alienation, exploitation, and repression by critiquing existing social structure with the intent of change” (Gioia & Pitre, 1990, p. 588). From this view, firms are examined from the perspective of postmodernism, critical theory, and configuration theory. Meanwhile, radical structuralism seeks “to remove from society, industries, and organizations the sources of domination forced on lower members of the social hierarchy by dominant elites” (Vibert & Hurst, 2004, p. 154). Firms are examined from the perspective of the Marxist and poststructuralist feminism.

Theories of Competition

Theories of competition in the economics and business literature are interested in the nature of firm competition and the role of firm strategy and action in achieving competitive advantages over competitors (Grimm, 2006). Grimm (2006) identified four perspectives of theories of competition, particularly focusing on the role of firms' competitive advantages. They are (a) perfect competition from neoclassical economics, (b) the structure-conduct-performance framework from industrial organization (IO) economics, (c) game theory from new industrial organization economics, (d) dynamic competition from Schumpeterian and evolutionary economics.

As discussed in theories of the firm, neoclassical economics assumes firms compete with perfect information and, thus, firm strategy plays little role in firm performance. The IO perspective and research tradition have provided direct insights to how firms can obtain competitive advantages through positioning in the context of industry structure and pursuing strategies appropriate to that structure. However, the IO literature has been criticized for a lack of attention to internal organizational factors and its methodological limitation in empirical studies (Grimm, 2006). Game theory, drawn from the new IO perspective, has been considered a useful tool for investigating a comprehensive model of competitive advantages as it demonstrates the linkages between resources, competitive moves and responses, and advantages. However, this theory has also been criticized for its failure to yield practical solutions to many of the most important problems of contemporary strategic business management (Singer, 1997). Finally, theories of dynamic competition from Schumpeterian and evolutionary

economics have provided important insights into firm innovation, first-mover advantages, competitive behavior, as well as a more dynamic view of firm strategy. These theories distinctively avoid equilibrium and sustainability and, therefore, are considered particularly applicable for today's and tomorrow's fast-paced competitive environments (Grimm, 2006).

Resource-advantage Theory of Competition

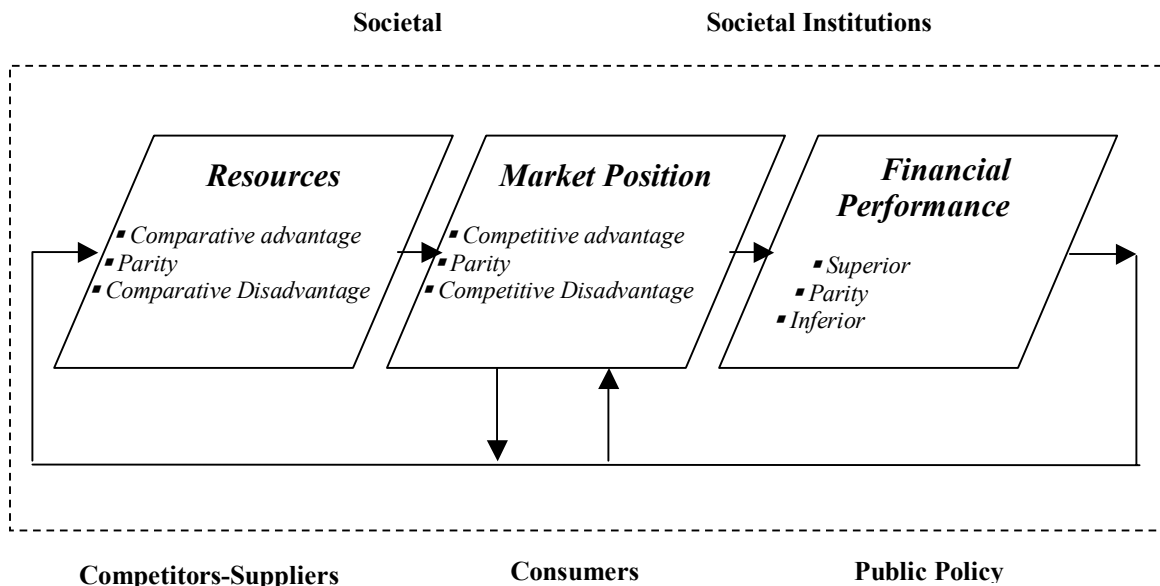
In order to properly explain the process of dynamic firm competition in today's market environment, Hunt and Morgan (1995) proposed the resource-advantage (R-A) theory of competition, combining the resource-based theory of the firm, heterogeneous demand theory, and theories of dynamic competition from Schumpeterian and evolutionary economics. Based on the resource-based theory of the firm, R-A theory views the firm as a seeker of unique, costly-to-copy productive assets to sustain above-normal returns, emphasizing unique, heterogeneous resources and capabilities (Barney, 1991; Conner, 1991). Consistent with heterogeneous demand theory, R-A theory views that demand is heterogeneous as consumers' tastes and preferences are significantly different and, thus, different products and services would be required to satisfy different group of consumers within the same industry (Alderson, 1957). While rejecting perfect competition theory from neoclassical economics, R-A theory shares the foundational premises of the dynamic, disequilibrating, and evolutionary nature of competition with those of Schumpeterian and evolutionary economics.

Consequently, R-A theory defines firm competition as "a constant struggle among firms for comparative advantages in resources that will yield marketplace positions of

competitive advantage for some market segment(s) and, thereby, superior financial performance” (Hunt, 2000, p. 136; Hunt & Arnett, 2003; Hunt & Morgan, 1997). Figure 2.1 displays a schematic of the R-A theory of competition. R-A competition is of particular interest to this study in addressing the research questions.

Figure 2.1.

A Schematic of the Resource-Advantage Theory of Competition¹



Note. Competition is the disequilibrating, ongoing process that consists of the constant struggle among firms for a comparative advantage in resources that will yield a marketplace position of competitive advantage and, thereby, superior financial performance. Firms learn through competition as a result of feedback from relative financial performance “signaling” relative market position, which, in turn, signals relative resources.

¹ From “Resource-Advantage Theory: A Snake Swallowing Its Tail or a General Theory of Competition?” by S.D. Hunt and R.M. Morgan, 1997, *Journal of Marketing*, 61(October), p. 78. Copyright 1997 by American Marketing Association. Reprinted with Permission from the authors and the American Marketing Association. See Appendix J for Copyrighter’s permission to reprint.

R-A theory views firms as “combiners of heterogeneous, imperfectly mobile resources” (Hunt, 2000, p. 148). Firm resources are defined as “the tangible and intangible entities available to the firm that enable it to produce efficiently and/or effectively a market offering that has value for some market segment(s)” (Hunt, 2000, p. 138). Because each firm has different resources or resource assortments (heterogeneous resources), firms are different in sizes, scope, and performance. Because all firms cannot have superior resources at the same time and it takes time for resources to transfer from one firm to another—imperfectly mobile resources—firms would yield different market positions, thereby, different performance. In other words, each firm consists of different or a different mix of resources. This difference in resources would result in different competitive positions in marketplace. If a firm has more advantages in its resources compared to its competitors, the firm would be more competitive, thus more likely to achieve superior financial performance. If a firm has disadvantages in its resources, the firm would be less competitive, thus less likely to achieve superior financial performance.

As per R-A theory, the differences among various firms’ resources can be explained by the differences in the life span of its associated resources. Internally, a firm’s comparative (or relative) advantage in resources can be dissipated, weakened, or wasted (a) by simply failing to reinvest or continue reinvesting, (b) by failing to recognize or understand the sources of the firm’s superior financial performance, and/or (c) by failing to adjust the firm’s resources or assortment of resources in response to a changed environment. Externally, a firm’s comparative (or relative) advantage in resources can be enhanced, neutralized, or destroyed (a) by changes in societal resources

and institutions; and/or (b) by the actions of consumers, government, suppliers, or competitors.

Relative advantages in firm resources do not guarantee better performance. Firms must produce superior value with their resources. Competitive advantages in R-A theory of competition are composed of the firm's relative value produced by its resources and the relative resource costs for producing such value. Values are the benefits that consumers perceive from particular products or services that the firm offers. If a firm has an efficiency advantage due to its lower production costs or its products' superior value, it is expected to generate superior financial returns. If a firm has positions of competitive disadvantage due to its higher production costs or its products' inferior value, it is expected to produce inferior returns.

The feedback loops in Figure 2.1 highlight that firms learn by competition itself as a result of feedback from relative financial performance, signaling relative market position, which in turn signals relative resources. With this learning process, firms then would have different resources or a different mix of resources. Additionally, because not all firms can have superior performance at the same time, firm resources or a different mix of firm resources are constantly changing and, thus, there is no end-stage, only a never-ending process of change in R-A competition.

External environments also play an important role in R-A competition. A firm's environment influences its resources and competitive market position, thereby, ultimately its performance. R-A theory of competition indicates six important environmental factors, including the societal resources on which the firm draws, the societal institutions that

dominate the market in which the firm operates, the actions of competitors, the actions of suppliers, the behaviors of consumers, and public policy decisions.

In sum, R-A theory argues that a firm's (combiner of resources) market position is an outcome of firm resource management. Firm resources include tangible and intangible elements, such as capabilities and skills embedded in the people, teams, relations, or networks available to the firm. These resources are combined in very complex ways to produce unique firm strategies, actions, and responses and the way the firm responds to its environments. Based on this explanation, R-A theory offers an excellent opportunity for a realistic and relevant explanation of the market competition to which AII's have responded.

Market Environment

Role of Environment on Firm Performance

As the R-A theory of competition recognizes and emphasizes the role of environment on firms' resources, strategies, and actions, the external environment has been considered a major source of contingencies that a firm must manage (Hunt, 2000; Tosi & Slocum, 1984). The role of environment has been well discussed in the strategy, marketing, management, and organizational behavior literature. Traditionally, many researchers have viewed the external environment as a given, or a set of conditions to which the firm can only react or adjust and, thus, a key determinant of the firm's decision making processes and activities (Morris, Shindehutte, & LaForge, 2002). This perspective of the firm environment is based on a key underlying assumption of neoclassical economic theories, that is, stable, static, homogeneous, and equilibrium-

provoking environments strictly determine firms' conduct and performance (Hunt, 2000; Hunt & Arnett, 2003).

For example, with regard to the impact of environment on a firm's conduct, Fredrickson and his colleagues argued that certain conducts of the firm were essentially determined by environmental characteristics (Fredrickson, 1984; Frederickson & Iaquinto, 1989; Fredrickson & Mitchell, 1984). According to them, a firm's rational comprehensive processes would only work in stable environments, not in dynamic environments because a time-consuming rational comprehensive process are simply inappropriate as data are not available, relationships are not obvious, and the future is unpredictable in a fast-changing dynamic or uncertain environment. With regard to the impact of environment on the firm's performance, Kotha and Nair (1995) found that certain environmental characteristics, such as environmental munificence, positively related to both firms' return on sales and growth. In addition, the increasing number of import activities within the Japanese machinery industry negatively impacted domestic Japanese machinery firms' performance.

On the other hand, some researchers have recently taken the opposite view of market environment—the explanatory or moderating role of firm environments on firms' conduct and performance—suggesting that firm environments are direct antecedents to firm performance. For example, Miller and Friesen (1982) argued that the more dynamic, competitive, and diverse the environment, the greater the need for innovation and the more likely it is that firms would be innovative. Similarly, Goll and Rasheed (1997) supported the moderating roles of environmental munificence and dynamism in the

relationship between executives' rational decision-making process and organizational performance. These findings were not surprising as numerous management studies have suggested that managers' perceptions of firm environment significantly affect their decision-making and strategies, and ultimately, firm performance (Calantone, Garcia, & Dröge, 2003; Glazer & Weiss, 1993; Kaiser & Sproul, 1982; Kuivalainen, Sundqvist, Puulaainen, & Cadogan, 2004; Matthews & Scott, 1995; Pelham, 1999).

Conceptualizing the Environment

Despite the strong interest in the role or impact of the environment on firm conduct and performance among academics, there has been no single set of constructs or single set of measures of firm environment that has received widespread acceptance in the environment literature. Sharfman and Dean (1991) conducted an extensive literature review on the environment and its impact on the firm and analyzed traditional approaches to conceptualizing and measuring the environment. According to them, at the level of conceptualizing the environment, many researchers have debated whether the environment should be treated as an objective reality or a perceptual phenomenon. At one extreme, some researchers from the social psychology perspective of organization argued that the external environment is not an objective reality; instead, the environment is “enacted” by organizational members by constructing a reasonable interpretation of selective parts of the environment, suggesting that the environment is a socially constructed reality (Weick, 1979, p. 164). Consequently, the environment is considered selectively perceived and subjective (Daft & Weick, 1984; Weick, 1979).

Agreeing that it is managers' perceptions on the environment that shape their decisions, several researchers focused on how these managerial perceptions are formed to explain how these managers make their decisions (Duncan, 1972; Lawrence & Lorsch, 1967). These studies were, however, later disputed by other studies showing managers' perceptions and objective measures of the environment were, in fact, little related (Downey, Hellreigel, & Slocum, 1975; Tosi, Aldag, & Storey, 1973). For example, Aldrich (1979) argued that managers' perceptions often over-generalize their isolated environmental events, interpreting them as the overall state of the market environment, and, thus, may bias their perceptions of the environment.

There have been a few attempts to integrate perceptual and objective perspectives of the environment into a single framework (for example, Tung, 1979). Among those, Aldrich's (1979) classification of environmental dimensions became the most influential, particularly, in pursuit of measures of the objective environment. His classification assumed the existence of an objective environment and, thus, it was possible for researchers to make predictions about its impact on the firm. His classification was attractive for strategy researchers whose mission was to measure and predict the role of the environment on firm behavior. Dess and Beard (1984) later developed a set of measures of the objective environment and these measures, in turn, became the primary basis for later research, examining the relationship between the firm and its environment. Most recently, Sharfman and Dean (1991) refined and extended Dess and Beard's objective measures by incorporating objective measures with managerial perceptions and

developing a set of conceptualizations and objective measures of the environment that would be more consistent with existing theory as well as with managerial perceptions.

Multidimensional Concept of the Environment

Sharfman and Dean (1991) identified three most widely used terms or dimensions to describe the key characteristics of the environment: complexity, dynamism, and resource scarcity. Complexity refers to the number and heterogeneity or diversity of factors and components in the environment with which the firm has to deal in decision making (Dess & Beard, 1984; Tung, 1979). The terms, heterogeneity or diversity, are related to complexity. Instability or dynamism refers to the rate and unpredictability of environmental change (Dess & Beard, 1984). The terms, turbulence, uncertainty, or routineity are related to dynamism. Resource availability refers to the level of resources available in the environment (Sharfman & Dean, 1991). The terms, hostility, munificence, and capacity, are related to resource availability.

In addition to the various, inconsistent usage of terms to describe the environment, these environment researchers had a tendency to use a different mix of dimensions to explain and measure the environment. For example, March and Simon (1958) used a single dimension, resource munificence, of the environment in their research. Thompson (1967) used two dimensions to describe the environment: heterogeneity/homogeneity and stability/dynamism. Child (1972) used three dimensions of the environment: complexity, variability, and illiberality. The three dimensions of the environment used by Child appeared to be the most accepted among researchers. Recently, Sharfman and Dean (1991) refined and extended Dess and Beard's (1984) three dimensional measures of the

environment—complexity, dynamism, and competitive threat. According to them, these measures provided a sufficient predictive power given that their measures accounted for approximately 38% of the variance in their set of industry performance variables.

Although extant dimensions provided important characteristics of the environment, they tended to focus on the rate of unpredictable change (for example, turbulence and dynamism) or the range of uncertain and ambiguous information (for example, complexity). Consequently, even when the three major dimensions are combined, they still seem to fail to capture another important facet of the environment. In response, Dyer and Ha-Brooskhire (in press) introduced a new dimension of the environment—acceleration. The authors defined acceleration as the environmental characteristic describing predictable, but accelerated, business cycles. Acceleration of the business cycle could be said to be an issue for most business concerns dealing with today's technology changes, consumer demands, global competition, and a host of factors that have created time pressures. According to the authors, hyper-dynamism describes the unique nature of a market environment that incorporates high levels of the three established dimensions of environment—complexity, dynamism or turbulence, and competitive resource availability—but also includes the new dimension of acceleration, defined as the speed of predictable business cycles. Hyper-dynamism includes a heady blend of all of the chaotic elements that contribute to the modern business environment—but at hyper-speed. Table 2.1 displays the major dimensions of the environment that have been found in the current literature.

Table 2.1.

Dimensions of the Environment²

Terms	Definitions
Complexity:	
Complexity	The number and heterogeneity or diversity of factors and components in the environment that the focal unit has to contend with in decision making (Dess & Beard, 1984; Tung, 1979). Related terms include <i>heterogeneity</i> (Aldrich, 1979; Thompson, 1967) and <i>diversity</i> (Mintzberg, 1979).
Turbulence:	
Turbulence	(1) The high rate of inter-period change (in magnitude and/or direction) in the “levels” or values of key environmental variables; and (2) the extent of uncertainty and unpredictability as to the future values of these variables (Dess & Beard, 1984; Glazer & Weiss, 1993).
Dynamism	The rate and unpredictability of environmental change (Dess & Beard, 1984).
Routineity	The consistency of variability and analyzability of the stimuli confronting the organizational unit (Tung, 1979).
Uncertainty	The firm’s inability to understand or to predict the state of the environment due to a lack of information or a lack of understanding of the interrelationships among environmental elements (Milliken, 1987; Matthews & Scott, 1995).
Resource availability:	
Hostility	Intense competition for scarce environmental resources (Mintzberg, 1979). Related terms include <i>illiberality</i> (Child, 1972) and <i>competitive threat</i> (Sharfman & Dess, 1991).
Munificence	The extent to which environmental resources can support sustained growth of an organization based on resource availability (Aldrich, 1979; Dess & Beard, 1984). Related terms include <i>capacity</i> (Aldrich, 1979).
Acceleration:	
Acceleration	The speed of predictable business cycles (Dyer & Ha-Brookshire, in press).

² From “Apparel Import Intermediaries’ Secrets to Success: Redefining Success in a Hyper-dynamic Environment,” by B. Dyer and J.E. Ha-Brookshire, in press. Copyright 2007 by Emerald Group Publishing, Limited. Reprinted with permission of the authors.

Firm Performance

Conceptualizing Firm Performance

Previous sections reviewed how firms' resources and capabilities affect their competitive advantages in the marketplace and their performance. The external environment also plays a critical role in firms' resources and competitive dynamics, as well as ultimately firm performance. Typically, firm performance has been used as a bottom-line measure for economic theorists of the firm (Vibert, 2004). Thus, it has been an important part of empirical research in business practices, investigating performance as the outcome of firms' structure, strategies, and planning (Dess & Robinson, 1984). However, the concept of firm performance seems to be vague and inconsistent, fostering constant debate about what in reality composes performance.

Ford and Schellenberg (1982) examined four major perspectives of firm performance. They were (a) Etzioni's (1964) goal approach, (b) Yuchtman and Seashore's (1967) systems resource approach, (c) Steer's (1977) process approach, and (d) Thompson's (1967) constituency approach. The goal approach defines firm performance in terms of goal attainment, assuming organizations pursue ultimate and identifiable goals (Etzioni, 1964). The systems resource approach defines firm performance in terms of the organization's ability to secure scarce and valued resources, emphasizing the relationship between the organization and its environment (Yuchtman & Seashore, 1967). The process approach defines performance in terms of the behavior of organization participants (Steers, 1977). The constituency approach defines firm

performance based on the fulfillment level of the firm's internal and external constituencies' needs (Thompson, 1967).

Though each of these perspectives has advantages in explaining firm performance, each has been criticized for uni-dimensionality. Instead, Connolly, Conlon, and Deutsch (1980) have proposed a multiple constituency approach to firm performance, highlighting multiple and subjective evaluative criteria, both directly and indirectly associated with the firm. Under this view, the firm is an open system and a coalition of diverse constituencies, each possessing different levels of performance expectations for continued membership in the coalition. Supporting this, Ambler and Kokkinaki (1997, p. 665) concluded, after reviewing success-related articles in the recent leading marketing journals, that "success is both particular, against specific objectives, and subjective, in the sense of who selects which goals and which performance benchmarks." This statement suggests a wide-spread acceptance of the multi-dimensional approach to firm performance in the firm performance literature.

Measuring Firm Performance

Despite its complex and multidimensional nature, most researchers have used economic or financial indicators to measure firm performance. Return on assets and growth in sales have been two of the most popular economic measures in the literature (Dess & Robinson, 1984). When it comes to multi-industry firms and private firms, it is especially harder to evaluate firm performance due to complicated methodological and data availability issues. As per Dess and Beard (1984), the biggest problems in assessing firm performance in smaller, privately-held firms are the lack of specificity to define

‘success’ or ‘failure,’ and the difficulty of obtaining performance data. Even if the data are available, their uncertain accuracy is more problematic due to possible errors in accounting procedures. Thus, the authors suggested subjective measures along with economic measures for broader dimensions of firm performance. They empirically showed that subjective measures were sufficient in evaluating firm performance when economic dimensions were not available.

As international business becomes intensified, a focus on export performance has also been on the rise in the literature during the last three decades. It is not surprising that export performance scholars have had similar dilemmas with regard to objective measures of export performance. Aaby and Slater (1988) reviewed 55 empirical studies on export performance in the management literature published from 1978 to 1988 and reported that the most commonly used dimensions of export performance were rate of growth in export sales and percentage of total sales. There were also other variables such as propensity to export, export problems, level of exports, perceptions toward exports, or barriers to export, yet these measures alone were just intermediate indicators of export performance, not explaining sustained profitability. Consequently, in their conclusions, Aaby and Slater called for a multiple criteria model of export performance that would allow effects on different types of performance measures within the organization.

Encouraged by Aaby and Slater, Cavusgil and Zou (1994) criticized previous studies that operationalized performance in terms of sales or profits, without any consideration of a firm’s strategic and competitive goals. The authors defined exporting as “a firm’s strategic response to the interplay of internal and external forces given

intense international competition,” and concluded the strategic dimension is critical to assess export performance (p. 2). Several scholars followed Cavusgil and Zou’s argument and applied the strategic dimension along with an economic measure to capture export performance (Bello et al., 2003; Morgan et al., 2004; Richey & Myers, 2001).

Consequently, though economic and financial measures have been the most popular in assessing firm performance, firms’ subjective or strategic measures are also considered necessary or often sufficient for various purposes of performance evaluation, particularly when assessing small, privately-held firms and export firms.

Up to this point, the study has reviewed a general understanding of theories of the firm, theories of competition, market environment, and firm performance with the goal of drawing an integrative theoretical model of AIIs’ capabilities, competitive advantages, and performance in a hyper-dynamic market environment. These topics provided important foundations to understand the characteristics of the global apparel industry and investigate the nature and the behavior of AIIs within the global apparel supply chain. Theories of the firm, particularly the resource-based view of the firm, helped to conceptualize AIIs as a combiner of critical firm resources. Theories of competition, particularly the resource-advantage theory of competition, offered a theoretical framework for the context and the process of AIIs’ competition. The market environment literature helped to recognize the unique nature of the accelerating apparel business cycle and analyze the new apparel market environment as a multi-dimensional concept—hyper-dynamism. Finally, firm performance studies provided opportunities to investigate performance outcomes in multiple perspectives, unlike the traditional view of firm—

performance that is highly centered on economic bottom-line measures. With this understanding, the next sections discussed the key characteristics of today's global apparel industry and the nature and the behavior of apparel import intermediaries in more details.

The Global Apparel Industry

The apparel industry has played a unique and key role in the development of world trade as one of the initial industries driving the industrial revolution in the eighteenth and nineteenth centuries in Britain and Western Europe (Dicken, 2003). The simple technologies and low-skill labor requirements of the apparel manufacturing process have rendered it perfectly suited to the early stages of industrialization and, consequently, the geographical concentration of production has spread quickly from industrialized countries to newly industrializing countries (Alder, 2004; Dicken, 2003; Scheffer & Duineveld, 2004; Taplin & Winterton, 2004). Ultimately, the apparel industry has become the most geographically dispersed of all industries (Appelbaum & Christerson, 1997). This unique nature of the apparel industry and its environment offer an excellent opportunity to learn extant firms' or newly created firms' behavior and performance in a changed market environment due to globalization. Supporting this, Bonacich, Cheng, Chinchilla, Hamilton, and Ong (1994, p. 13) argued that they "predict that many of the methods used in the globalization of apparel production will be followed by other industries, and thus the apparel industry may be a portent of things to come."

Reordering of the Global Apparel Industry

The world apparel market accounted for \$276 billion in trade in 2005—a number that captures its economic importance but does little to express the industry’s upheaval in terms of growth and geographic relocation; that is, apparel trade volume in recent years has increased tremendously and production has shifted significantly in geographic location (Appelbaum & Christerson, 1997; WTO, 2006). In 1963, world apparel trade was \$2.2 billion with only 14% of dollar volume generated by developing economies. By 2005, however, 47% of world apparel products were exported by just four leading exporters, all of which were developing economies: China, Turkey, India, and Mexico (WTO, 2006).

Today, two distinctive patterns have emerged (a) the dominance of Chinese apparel exports and (b) the United States’ role as the largest single apparel importer in the world. As per the World Trade Organization (2006), from 1980 to 2003, China’s portion of world apparel exports grew from 4% to 29% (if Hong Kong’s domestic exports are excluded), while the U.S. portion of world apparel imports increased from 16% to 28%. In particular, the United States imported up to \$80 billion of apparel products in 2005. Although some domestic retailers like Wal-Mart and Target import apparel on their own, many retailers rely on other apparel import intermediary firms to source apparel for them from foreign manufacturers (Ellis, 2007).

These changes in the world apparel industry have been partly due to rapid advances in information technology. While the production technology in apparel manufacturing processes has changed little, still requiring labor-intensive and labor-cost

sensitive operations, the socio-economic environment of the apparel industry has been revolutionized (Alder, 2004; Appelbaum & Christerson, 1997; Jones & Hayes, 2004). The innovations in information technology such as electronic communication or electronic point-of sale inventory systems have provided retailers with a great deal of flexibility in responding to rapid market changes and have enabled suppliers to expand their manufacturing activities to virtually anywhere, ultimately, turning the apparel industry into one of the most economically integrated industries across the world's trading entities (Alder, 2004; Appelbaum & Christerson, 1997; Dicken, 2003).

Changes in the European and the U.S. Apparel Industries

With regard to the European apparel industry, Taplin and Winterton (2004, p. 257) described the response to such shifts as “restructuring and reconfiguration” of the industry. That is, job losses or decline in high-wage economies such as the European Union has flown into new job growth or development, often in distant low-wage economies. For example, Jones and Hayes (2004, p. 273) argued that the U.K. apparel industry has transitioned to “more traditionally male-oriented jobs,” including product development, market research, design, buying, importing, sourcing, advertising, and promotion. Similarly, Alder (2004, p. 313) stressed that the German apparel firms have become “service-oriented clothing enterprises,” focusing on organization, qualifications, co-operation, and communication as a result. In this vein, Scheffer and Duineveld (2004) emphasized that wholesaling and retailing have become much more important activities within the Dutch apparel industry as clothing companies have been forced from a manufacturing orientation to a design orientation.

The U.S. apparel industry has not been an exception to this worldwide structural transition (Baughman, 2004; Cline, 1990). Although the U.S. apparel industry has received comprehensive and consistent protection by the U.S. government for in the three decades (Cline, 1990), substantial efforts by both government law makers and industry advocates have been unable to prevent the transformation of the United States from one of the world's largest apparel producers and exporters to the world's largest apparel importer (WTO, 2006). Naturally, these changes have forced U.S. apparel firms to assume different roles in the global apparel supply chain.

Hyper-dynamic Environment of the U.S. Apparel Industry

Ever increasing number of imported apparel products in the United States, intense global competition, and strong consumerism in the U.S. apparel industry has led to a hyper-dynamic market environment that today's apparel firms must face (Dyer & Ha-Brookshire, in press). The U.S. apparel industry is typically characterized by rapid technology change in capital investments and communication management, increasing information intensity, extremely short production cycles, myriad small batch production demands, and fragmentation of businesses processes. This environment has been fueled by globalization of production, language and culture management, and legal and ethical matters. In addition, the U.S. apparel industry presents a uniquely challenging environment where, next to the food industry, firms must respond to the shortest product life cycles of any consumer products with punishing business cycles driven by the standard eight, and possibly up to monthly, market seasons (Michelle, 2004). Consequently, the U.S. apparel industry clearly provides a unique market environment,

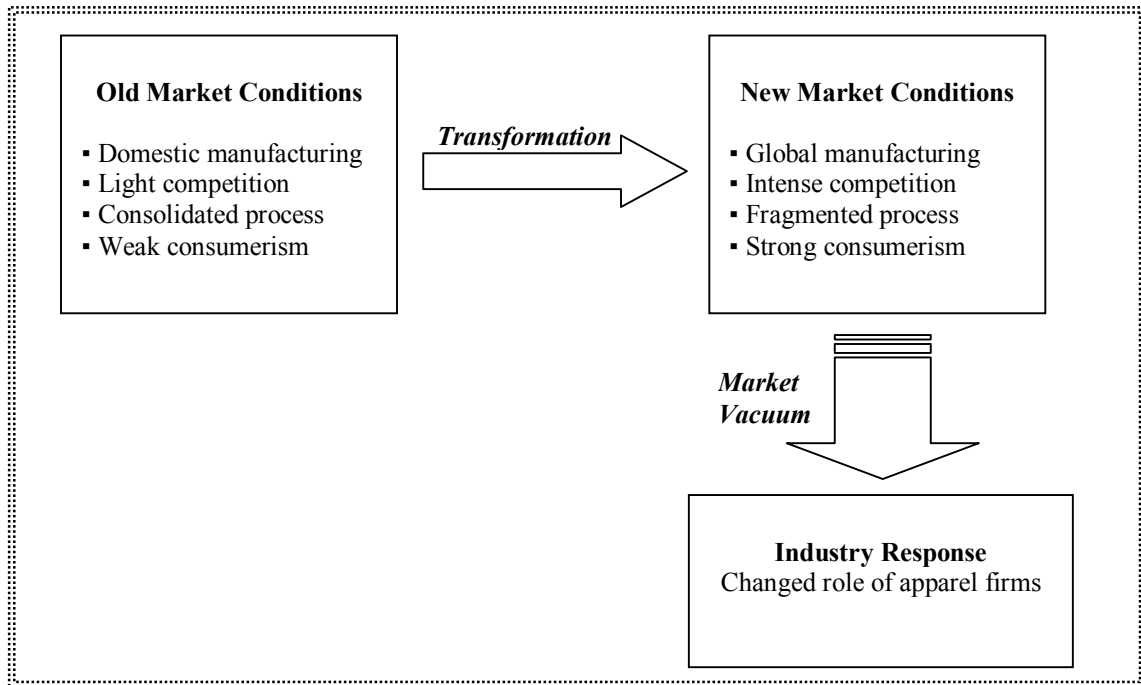
incorporating high levels of complexity, dynamism or turbulence, competitive resource availability, and accelerated business cycles—hyper-dynamism. This hyper-dynamic market environment in the global apparel industry has set the stage for assumption/transformation of the activities performed by apparel firms.

Apparel Import Intermediaries

One of the most significant responses that the U.S. apparel industry has made to its hyper-dynamic market environment can be said to be the development and growth of intermediary firms who help domestic clients perform successful import transactions. This study defined apparel import intermediaries (AIIs) as domestic apparel service firms that link domestic wholesalers/retailers and foreign distributors/manufacturers to facilitate import transactions in the global apparel supply chain (Ha-Brookshire & Dyer, 2006). Figure 2.2 describes a “new” market environment characterized by intense global competition, consumerism, and highly fragmented processes that have created a market vacuum to which apparel firms must respond. These transformational forces and consequent shifts in firm responsibilities reflect the new market needs, implying that new market needs may not be efficiently or effectively addressed by the old market structure, that is, by the previous roles of extant domestic retailers, foreign manufacturers, wholesalers, or other intermediary firms.

Figure 2.2.

Changed Roles of U.S. Apparel Firms in a New Market Environment³



³ From "Apparel Import Intermediaries: The Impact of a Hyper-dynamic Environment on U.S. Apparel Firms," by J.E. Ha-Brookshire and B. Dyer, 2006. Adapted with permission of the authors.

Defining the Apparel Import Intermediary

Issues Involving U.S. Government Descriptions and Classification Schemes

Despite the reordering of the global apparel industry and consequent changed roles of apparel firms, identifying AII and grasping their economic contributions in the U.S. apparel industry seem to be extremely difficult. That is partly because governments and trade organizations (for example, WTO) track the movements of apparel trade around the world, however, the data picture available on apparel product movement once inside U.S. borders is not readily available. Two major reasons for this are: (a) description issues clouding government classifications and (b) misclassifications occurring due to

firms' misperceptions of their own identities. Particularly, the U.S. government uses the term, wholesaler when identifying and tracking intermediary firms domestically. Table 2.2 presents various types of businesses and descriptions of each business type as defined by the U.S. Census Bureau (2005a, 2005c).

Table 2.2.

Wholesaler and Retailer Descriptions by the U.S. Census Bureau⁴

Business Type	Description
Wholesaler (NAICS 42)	Engaged in wholesaling merchandise, generally without transformation, and rendering services incidental to the sale of merchandise. Wholesalers are organized to sell or arrange the purchase or sale of (a) goods for resale to other wholesalers or retailers, (b) capital or durable nonconsumer goods, or (c) raw or intermediate materials or supplies used in production (U.S. Census Bureau, 2005c, p. B-1).
Merchant wholesaler (or wholesale distributor)	Primarily buys and sells on its own account (takes title to goods) for resale, including jobber, distributor, own-brand marketer, and own-brand importer/exporter (U.S. Census Bureau, 2005a, 2005c).
Manufacturers' sales branch or sales office	Primarily buys or sells goods manufactured in the United States. It may or may not take title to goods (U.S. Census Bureau, 2005a, 2005c).
Merchandise agent, broker, or electronic market	Primarily buys or sells goods for others on a commission basis. It does not take title to goods (U.S. Census Bureau, 2005a).
Retailer (NAICS 44-45)	Engaged in retailing merchandise, generally without transformation, and rendering services incidental to the sale of merchandise. Retailers are organized to sell merchandise in small quantities to the general public (U.S. Census Bureau, 2005b, p. B-1).

⁴ From "Apparel Import Intermediaries: The Impact of a Hyper-dynamic Environment on U.S. Apparel Firms," by J.E. Ha-Brookshire and B. Dyer, 2006. Adapted with permission of the authors.

Confusion surrounding the term, wholesaler, arises from the way the government describes the nature of wholesaling activities. Following the North American Industry Classification System (NAICS), the U.S. Census Bureau (2005c, p. B-1) describes the wholesale trade as “establishments engaged in wholesaling merchandise, generally without transformation, and rendering services incidental to the sale of merchandise.” Wholesalers are then categorized into three types of operations: (a) a merchant wholesaler that mainly buys and sells on its own account for resale to other wholesalers or retailers, including wholesale distributors and jobbers, importers, exporters, and own-brand-importers/marketers; (b) a manufacturers’ sales branch or sales office for goods manufactured in the United States (the firm may or may not take ownership); or (c) a manufacturers’ agent, broker, or electronic market that mainly buys or sells goods for resale on a commission basis (U.S. Census Bureau, 2005a, 2005c).

The description by the U.S. Census Bureau is clear in that wholesalers are engaged in selling in relatively larger quantities to other members in the distribution channel and not directly to ultimate consumers. However, it is not clear whether this wholesale category would be appropriate for some apparel intermediaries that are functioning in the new market environment. This description explicitly requires that wholesalers not engage substantially in product transformation, thus many apparel intermediary firms who are actively participating in product transformation activities, including design, pre-production, and production overseas do not fit into the government’s description of wholesalers. The ambiguity of the term, “transformation,” and the nature of services that these firms provide makes it difficult to determine

whether they are wholesalers or not. In addition, the term, wholesalers, is generally associated with firms who simply buy and resell goods at a profit without any value-added activities unlike many of today's apparel intermediary firms. In this light, Scheffer and Duineveld (2004, p. 344) argued that "the term wholesaling underestimates the importance of design, branding, marketing and logistics."

Another source of confusion surrounding the term, wholesaler, results from firms' misperceptions of their own identities. In particular, it appears that many apparel firms might inaccurately classify themselves as manufacturers despite their heavy reliance on import operations. For example, Baughman (2004) laid out the current status of apparel firms' domestic manufacturing activities and argued that all of the 14 leading U.S. apparel firms that are currently classified as manufacturers (NAICS 315) are, in fact, importing or sourcing their products for domestic sales. VF Corporation, the second largest U.S. apparel firm, reported \$5.2 billion of net apparel sales in 2003. Yet, 95% of their products sold in the United States were imported. Similarly, Phillips-Van Heusen Corporation, Russell Corporation, and Oxford Industries, Inc. also reported that 93%, 99%, and 97% of their merchandise sold in the United States, respectively, was imported in 2003. As per the most recent economic census conducted in 2002, the apparel manufacturing sector (NAICS 315) accounted for \$44.5 billion, while the apparel wholesale trade was over \$106 billion, approximately twice as large as the apparel manufacturing industry in the United States (U.S. Census Bureau, 2005d, 2005e).

Issues Involving Academics' and Practitioners' Terms

In identifying and tracking intermediary firms, academics and some business practitioners often do so based on what firms do, especially relative to doing business with those firms. Consequently, a range of confusing terms has arisen among academics and practitioners describing the set of firms who play intermediary roles in the supply chain. Table 2.3 clarifies various terms for intermediaries that are commonly used by academics and practitioners.

Importer is one of the most commonly used terms for firms that bring goods or services into the country from abroad (Soanes & Stevenson, 2004). However, the term, importer, might be too broad for some of today's apparel intermediary firms, given that the term importer may include both an import retailer (selling goods directly to consumers) and an import wholesaler (selling goods to other wholesalers or retailers). A similar problem occurs with the term "marketeer," offered by Applebaum and Gereffi (1994, p. 44) to describe many of today's firms that design, market, and sell their products, yet do not own any factories domestically—firms such as Nike, The Gap, Reebok, and Liz Claiborne. This term creates ambiguity as it focuses on firms' functions as brand marketers and does not differentiate among firm types. For example, The Gap is an import retailer; however, Liz Claiborne may be classified as either an import wholesaler or an import retailer.

Table 2.3.

Commonly Used Academic and Practitioner Terms for Intermediaries⁵

Business Type	Definition/Description
Importer	Any firm that brings goods or services into the country from abroad (Soanes & Stevenson, 2004).
Import/export merchant	Merchant wholesaler engaged in import/export trades (adopted from U.S. Census Bureau, 2005c).
Import/export agent or broker	Merchandise agent or broker in import/export trades (adopted from U.S. Census Bureau, 2005c).
Import retailer	Retailer who imports goods for the purpose of domestic retailing activities (adopted from U.S. Census Bureau, 2005b).
Jobber	A dealer in shares or commodities who holds a stock of the asset and trades as a principal (Lehman & Phelps, 2002). As per U.S. Census Bureau (2005), a jobber is classified as a merchant wholesaler.
Marketeer	Any firm that designs, markets, and sells products without owning factories, such as Nike, The Gap, Reebok, and Liz Claiborne (Applebaum & Gereffi, 1994).
Trading company	Any firm that buys and sells goods, currency, or stocks (McKean, 2005).

⁵ From “Apparel Import Intermediaries: The Impact of a Hyper-dynamic Environment on U.S. Apparel Firms,” by J.E. Ha-Brookshire and B. Dyer, 2006. Adapted with permission of the authors.

The term, apparel jobber, appears to be one of the most confusing terms used in the apparel industry as every group seems to have a different “take” on what these firms do. Olsen (1978, p. 99) described some apparel jobbers as performing design, sampling, and marketing activities, representing “the entrepreneurial functions of a normal manufacturing operation.” However, he also stated that many jobbers are mainly engaged

in only simple manufacturing operations, such as cutting and finishing. From this view, the term jobber appears to be too narrow for some of today's apparel intermediary firms because by this definition jobbers are strongly linked to manufacturers and manufacturing activities and may not include some apparel intermediaries whose focuses are on retailer needs. Furthermore, within the apparel retail and wholesale sectors jobbers are commonly understood to be firms that take small contracts for existing apparel goods to turn them around quickly, often to move those goods on to other retailers or discount establishments. Thus, the term, jobber, has limitations for application to firms engaged in import activities because of its multiple meanings and perceptions.

A New Term: Apparel Import Intermediary

As described previously, many classifications and terms have been ascribed to intermediary firms. These terms, however, for many reasons—different sources and purposes among them—have failed to provide a common terminology, both inclusive and exclusive, to describe some of today's intermediary firms appropriately. The failure of the U.S. government and businesses to ascribe to an appropriate common terminology is closely associated with our inability to track these firms' economic contribution and to value them realistically. Table 2.4 shows limitations of various terms used by the U.S. government, academics, and practitioners in identifying AIIs.

Table 2.4.

Limitations of Extant Terms for Identifying AII⁶

Business Type	Terminology Limitations
Apparel wholesaler Import/export merchant Import/export agent or broker	<ul style="list-style-type: none"> ✓ Creates ambiguity because the NAICS description allows for product “transformation” even though it states that “transformation” is not generally part of wholesalers’ activities. ✓ Underestimate the importance of value-added activities, including design, branding, marketing, and logistics (Scheffer & Duineveld, 2004).
Apparel importer Import retailers Import wholesalers	<ul style="list-style-type: none"> ✓ Is too broad as it includes both apparel import retailers and apparel import wholesalers.
Apparel jobber	<ul style="list-style-type: none"> ✓ Is too narrow as it is strongly connected with manufacturers and manufacturing activities (Olsen, 1978). ✓ Is typically associated by the trade with firms seeking small contracts for existing goods for a quick turn around. ✓ Creates ambiguity because of multiple meanings and perceptions.
Marketeer	<ul style="list-style-type: none"> ✓ Is too broad as it includes both apparel import retailers and apparel import wholesalers. ✓ Centers on brand marketing rather than business types.
Apparel global trading company	<ul style="list-style-type: none"> ✓ Is too broad because it includes exporters and importers. ✓ May underestimate the importance of firms’ value-added activities.

⁶ From “Apparel Import Intermediaries: The Impact of a Hyper-dynamic Environment on U.S. Apparel Firms,” by J.E. Ha-Brookshire and B. Dyer, 2006. Adapted with permission of the authors.

In the business academic literature, some progress has been made on addressing the terminology issue, because the term, intermediary, is commonly agreed upon by academics in the marketing, management, and business disciplines. A group of researchers has already claimed the term, export intermediary, recognizing and

establishing the importance of the role of export intermediary firms in a global economy. They have defined export intermediaries as [domestic] specialized service firms bridging the gap between domestic manufacturers and foreign customers (Peng & Ilinitch 1998; Peng & York 2001; Peng, et al., 2000). In the United States, Peng and his colleagues specifically stressed that more rigorous research on export intermediaries is necessary to explain successfully export performance in a global economy, and they sought the important determinants of their performance. In the United Kingdom, Balabanis (2000, 2001) investigated export intermediaries' behavior to help inexperienced or less-resourceful exporters with selecting, assessing, or evaluating them. The missions of export intermediary research, however, is still centered on the role of 'exporters,' as exporting is a significant means of foreign market entry and sales expansion for firms (Morgan et al., 2004).

Although some export researchers have recognized "overseas-based import intermediaries" who are located overseas and help U.S. manufacturers' foreign sales (Peng & Ilinitch, 1998, p. 610), the term, import intermediary, has not been introduced into the academic literature for similar domestic firms. Instead, the behaviors of importers can be found in the literature; yet, importers in these studies have been viewed as ultimate buyers of foreign products, thus have been analyzed from the foreign suppliers' perspective as an effort to help to increase their international sales. For example, Deng and Wortzel (1995) looked at the purchasing behavior of U.S. importers to help Asian exporters' sales to U.S. markets. Reichel (2000) investigated the internationalization process in Swedish importing companies so that foreign exporters could learn the pattern

of Swedish importers' transaction behavior. In sum, Overby and Servais (2004) concluded that currently there are three main topics of importer behavior research. They are (a) motives and barriers in the selection/rejection of foreign supplier alternatives, (b) the decision-making process for choosing foreign suppliers, and (c) importers' relations with foreign suppliers.

To identify and track import intermediaries in the global apparel industry and to fill the gap in our understanding of import intermediaries in the international business literature, it is extremely important to establish the term, apparel import intermediary. As defined earlier, AIIs are domestic apparel service firms that link domestic wholesalers/retailers and foreign distributors/manufacturers to facilitate import transactions in the global apparel supply chain. In the apparel industry, these intermediary firms have assumed changed responsibilities and activities during the process of globalization. According to Ha-Brookshire and Dyer (2006), AIIs have been developed via either a transformation path or a birth path. The transformation path represents existing domestic apparel manufacturers that transformed themselves into import intermediary firms by utilizing foreign production subcontractors. The birth path was initiated by groups of opportunity-seeking individuals, or entrepreneurs, who leveraged unique sets of resources to create new import intermediary firms. The term, AII, is inclusive in that it would include all apparel service firms that have acted as intermediaries in the past, such as import wholesalers, import jobbers, import merchant wholesalers, import agents or brokers, import trading companies, foreign manufacturer's sales offices or sales branches. The term, AII, would also include new

intermediary firm types that have resulted from the changes in the apparel industry. The term, AII, however, be exclusive in that it would exclude apparel import retailers who make direct sales to ultimate consumers.

As a new term, AII would help today's apparel intermediary firms (a) establish a sense of identity, reflecting the reality of their true responsibilities and activities; (b) help apparel-related academic researchers comprehend a clear understanding of this important subset of the apparel industry; (c) give non-apparel academics (for example, export intermediary researchers) substantive familiarity with the term in the international business literature; and (d) provide the flexibility to include future intermediaries that develop as a result of shifts in market needs.

AIIs' Functions and Success Factors

After clarifying and defining the term, AII, this study conducted, first, in-depth qualitative interviews to explore AIIs' operations and their success factors: (a) AIIs' environment, development, and functions; and (b) AIIs' secrets to success. The researcher conducted qualitative in-depth interviews with 13 executives of a cross-section of U.S. AII firms, mainly located in New York City during the summer of 2005 (see Appendix A for the Demographic Information of the Expert Informants, Appendix B for the Qualitative Interview Schedule, and Appendix C for the Demographic Questionnaire for Qualitative Interviews). Each interview lasted from 20 to 60 minutes and was analyzed based on interpretive analysis under the philosophical hermeneutic framework. Complete information on the first phase qualitative interview studies is available in Ha-Brookshire and Dyer (2006) and Dyer and Ha-Brookshire (in press).

AIIs' Functions in a Hyper-dynamic Environment

The first qualitative interview study reported that U.S. AIIs carry out specific functional activities linking domestic clients and foreign suppliers in the global apparel industry. This study highlighted the significant impact that the dynamic and turbulent apparel industry environment has had on the functional activities needed and demanded by the new apparel market. This was made manifest through the shaping of AIIs' core functional activities, including design, marketing, sourcing, and service. Each of these activities specifically metamorphosed as the external environment forced unique implementations to meet new market needs.

First, AIIs were reported to implement their design activities in terms of trend interpretation, rather than trend-setting or trend-leading. Their design activities sought mass acceptance of familiar concepts—not slavish devotion to top designer styles—with creativity taking a second seat to interpretive ability for design personnel. Second, AIIs in this study described their marketing activities as (a) scanning/analyzing the market environment by 'being out there,' (b) gaining a reputation as the 'go-to people' for both partners, and (c) leveraging relationships to acquire the most practical/profitable information in the most efficient way. In other words, AIIs carried out marketing activities with emphasis on personal, intimate environmental scanning that bore little resemblance to traditional managerial information analysis. In addition, AII personnel sought an intuitive real-time grasp of the fashion flow experience only after years of personal immersion in industry phenomena.

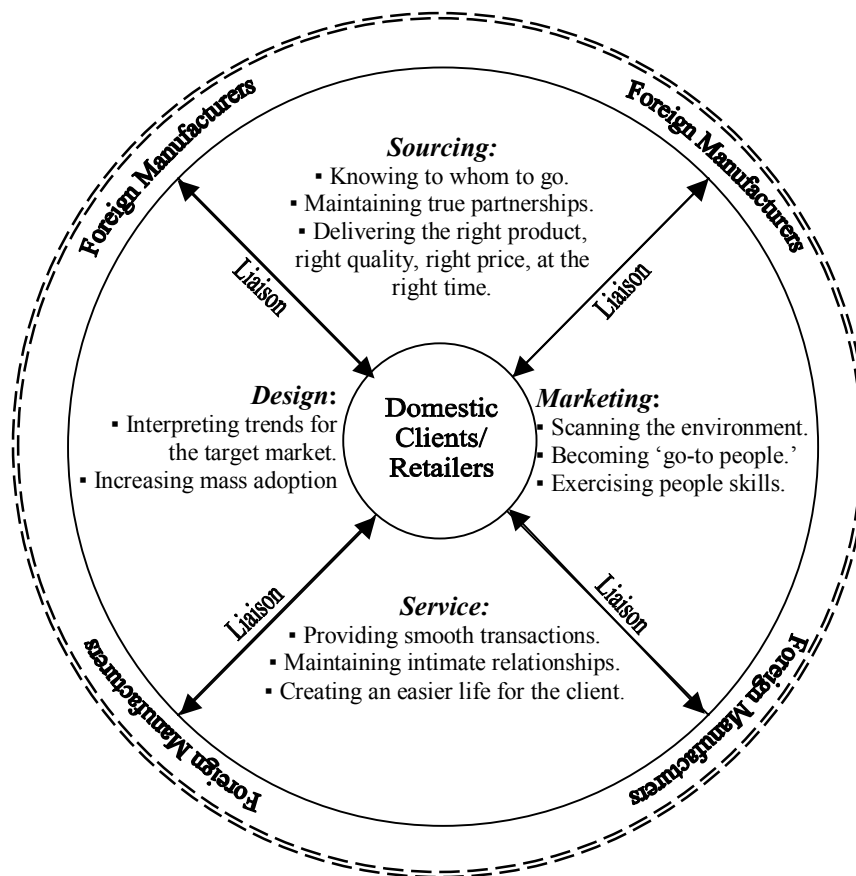
Third, the sourcing activities detailed by AIIs in this study included four dimensions—the right product, the right quality, the right price, and the right time—managed simultaneously. Surprisingly, AIIs in this study expressed the relative lack of importance assigned price. Although price matters, other considerations, such as time (being on time) and quality (having an appropriate level for the product), appeared to be more pressing concerns. To achieve better performance of their sourcing activities, AIIs in this study implemented two critical kinds of expertise: (a) knowing ‘who to go to’ in terms of the supplier selection process and (b) maintaining healthy working partnerships with foreign suppliers. This finding suggested that relationship establishment and maintenance for AIIs were influenced by the environment, resulting in a focus on extraordinary nurturing measures to compensate for managing more numerous relationships that were faster shifting, project-based, culturally embedded, and more time sensitive.

Finally, a very interesting finding was the importance of service as AIIs in this study described service as the key differentiator between their firms and competitors. It has been estimated informally in the apparel industry that there are 10,000 “touches,” or steps, to make a single garment, implying that there are 10,000 places where something can go wrong. Consequently, AIIs in this study were reported that they calmed problem-filled surroundings by personally being there 24/7 to help their clients. AIIs’ service was characterized as (a) relationship-specific adaptations by intermediaries—expressed as ‘no-hassle, no-problem, the smooth process’; and (b) information exchange—described as ‘always there for you.’

Figure 2.3 presents an overview of the first preparatory study findings on U.S. AII's functional activities in a hyper-dynamic apparel market environment. This model also highlights that all of AII's four functional activities must be well integrated, simultaneous, and coordinated to carry out the liaison functions effectively.

Figure 2.3.

The Functions of AII's in a Hyper-dynamic Environment⁷



⁷ From "Apparel Import Intermediaries: The Impact of a Hyper-dynamic Environment on U.S. Apparel Firms," by J.E. Ha-Brookshire and B. Dyer, 2006. Reprinted with permission of the authors.

AIIs' Success Factors in a Hyper-dynamic Environment

The second qualitative interview study explored the meaning of AIIs' success and their success factors in a hyper-dynamic market environment. In reviewing the meaning of AIIs' success, this study found that instead of focusing on sales- or profit-oriented performance, the interview participants described success as reaching a long-term presence, a platform, from which they could impact the industry through creative expression by "being able to be who I am." AIIs' creative impact on the market, in turn, appeared to help to build their competitive advantages in a hyper-dynamic market environment.

Next, in investigating AIIs' secrets to success, three key success factors emerged among the AII study informants. They were: (a) immersion knowledge management, (b) simultaneous dual relationship management, and (c) flexibility saturation. First, AIIs in this study described that knowledge of the marketplace surfaced with a sense of extreme immediacy that may be unique to the hyper-dynamic apparel market environment, and that immediacy seemed to render traditional marketing strategies ineffective. Moreover, the knowledge needed was described as only being acquired through years of personal experience and immersion on the floor, either on retailers' store floors or manufacturers' production floors. This, in turn, implied that success in AIIs appeared to be unusually tied to personnel management. Literally, your firm personnel "can make you or break you."

Second, this study also revealed that AIIs have two equally critical business channel members, retailers and manufacturers, both of whom have the power to impact their very existence. Consequently, they have faced a distinctive challenge to establish

and maintain two equally important types of business-to-business (B2B) relationships simultaneously. That is, AIIs must manage a B2B relationship with their domestic clients and a B2B relationship with foreign suppliers, exercising a multiple personality approach of being both buyer and seller at the same time while managing two vastly unequal power positions. These unique B2B relationships sought on one hand proactive, personal, non-contractual relationships with domestic clients and on the other contractual, trust-building, long-term partnerships with foreign manufacturers.

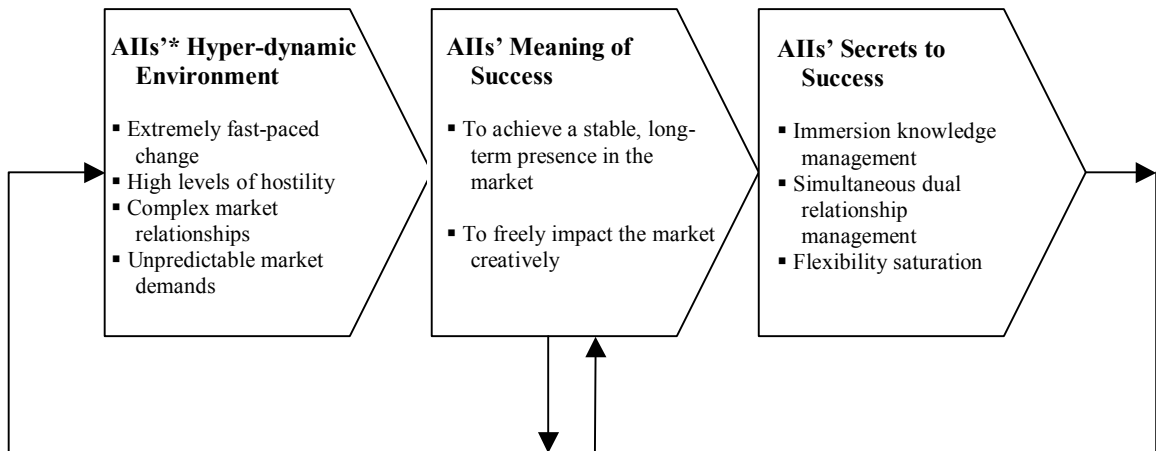
AIIs' flexibility in this study was expressed as free movement from country to country to meet demands—or what might be called “market choices without boundaries.” At a deeper level, however, AIIs' flexibility was described as proactive (taking full initiative to convert market uncertainties into market opportunities), rather than reactive (adapting to environmental uncertainty). Thus, to AIIs, environmental uncertainties represented a pool of new opportunities that could be anticipated unafraid. Furthermore, the concept of flexibility was expressed as a firm mindset, a whole organizational culture, that informed every activity of the firm, rather than as capabilities aligned only with certain actions, personnel, or areas of the firm. This flexibility saturation was manifested as versatility, suggesting that these firms leveraged a wide range of resources to carry out firm actions—to the extent that “if you can imagine it, you can make it happen.”

Figure 2.4 presents an overview of the second preparatory study findings on U.S. AIIs' success and secrets to success in the hyper-dynamic apparel market environment. This model demonstrates that a hyper-dynamic market environment, including extremely fast-paced change, high levels of hostility, complex market relationships, and

unpredictable market demands forced AIIs to set new meanings for success, and thereby, implement new secrets to success that were all strongly tied to firm personnel and their internalized personal characteristics. Acquiring and keeping personnel with such characteristics seemed to have strong implications for firm strategies, including hiring, management style, firm size, and opportunity analysis. The feedback loop in this model also highlights that the chain relationships in AIIs' environment, meaning of success, and secrets to success are a constantly changing, on-going process, affecting each other within what is generally seen as an increasingly complex and competitive business environment.

Figure 2.4.

AIIs' Success and Their Secrets to Success in a Hyper-dynamic Environment⁸



*AII: Apparel Import Intermediary

⁸ From "Apparel Import Intermediaries' Secrets to Success: Redefining Success in a Hyper-dynamic Environment," by B. Dyer and J.E. Ha-Brookshire, in press. Copyright 2007 by Emerald Group Publishing, Limited. Reprinted with permission of the authors.

Summary

Chapter II reviewed various theories of the firm, theories of firm competition, and market environment and firm performance studies. These theories and research provided a basic foundation to understand the nature and the behavior of apparel import intermediary firms in a global economy. With this understanding, this chapter reviewed structural changes in the global apparel industry in recent years and identified AIIs after clarifying current business classification systems and definitions of business types. The chapter then further detailed the characteristics of U.S. AIIs' functional activities and their success factors in the hyper-dynamic apparel market environment.

Based on the resource-based view of the firm, this study conceptualized AII firms as combiners of critical resources—design, marketing, sourcing, and service capabilities—and defined them as domestic apparel service firms that link domestic wholesalers/retailers and foreign distributors/manufacturers to facilitate import transactions in the global apparel supply chain. Under the resource-advantage theory of competition framework, the study argued that the hyper-dynamic apparel market environment has forced AIIs to seek different meanings of success, and, thus, take different strategic actions to succeed. In addition, under the R-A theory framework, the study emphasized that AIIs' unique success factors seemed to originate from AIIs' different resources or a different mix of resources, resulting in different competitive advantages over other firms.

A review of the market environment literature highlighted the need to recognize a unique dimension of the apparel industry—an accelerated business cycle—and to define a multi-dimensional concept of the environment—hyper-dynamism—to describe the unique U.S. apparel market environment. Finally, the literature review of firm performance studies provided a multiple-constituency approach, reflecting the nature of multiple dimensions of firm performance beyond the firm’s economic performance. Given that AIIIs may be one of the most important outcomes of the apparel industry’s strategic responses to change and that these firms have undergone ‘identity crisis’ due to various issues surrounding governments’, academics’, and practitioners’ terms, the multi-dimensional approach to firm performance provided an appropriate fit for the study’s research questions. Research reviewed in this chapter is summarized in Table 2.6.

Table 2.5.

Summary of Literature Review

Theoretical Framework	
Ackoff (1981)	Jenson & Meckling (1976)
Alchian & Demsetz (1972)	Grant (1996)
Alderson (1957)	Porter (1980)
Barney (1991)	Porter (1985)
Berle & Means (1932)	Penrose (1959)
Coase (1937)	Pfeffer (1982)
Conner (1991)	Seth & Thomas (1994)
Cyert & March (1963)	Simon (1947)
Encaoua, Geroski, & Jacquemin (1986)	Singer (1997)
Gioia & Pitre (1990)	Tirole (1988)
Geroski, Machin, & Walters (1997)	Vibert (2004)
Grimm, Lee, & Smith (2006)	Vibert & Hurst (2004)
Hunt (2000)	Williamson (1976)
Hunt & Arnett (2003)	Williamson (1985)
Hunt & Morgan (1995, 1997)	Williamson (1988)
Market Environment	
Aldrich (1979)	Kuivalainen, Sundqvist, Puulaainen, & Cadogan (2004)
Calantone, Garcia, & Dröge (2003)	Lawrence & Lorsch (1967)
Child (1972)	March & Simon (1958)
Daft & Weick (1984)	Matthews & Scott (1995)
Dess & Beard (1984)	Miller & Friesen (1982)
Downey, Hellreigel, & Slocum (1975)	Milliken (1987)
Duncan (1972)	Mintzberg (1979)
Dyer & Ha-Brookshire (in press)	Morris, Shindehutte, & LaForge (2002)
Fredrickson (1984)	Pelham (1999)
Frederickson & Iaquinto (1989)	Sharfman & Dean (1991)
Frederickson & Mitchell (1984)	Thompson (1967)
Glazer & Weiss (1993)	Tosi, Aldag, & Storey (1973)
Goll & Rasheed (1997)	Tosi & Slocum (1984)
Hunt (2000)	Tung (1979)
Hunt & Arnett (2003)	Weick (1979)
Kaiser & Sproul (1982)	
Kotha & Nair (1995)	

(table continues)

Table 2.5. *(continued)*

Firm Performance	
Aaby & Slater (1988)	Ford & Schellenberg (1982)
Ambler & Kokkinaki (1997)	Etzioni (1964)
Bello, Chelariu, & Zhang (2003)	Morgan, Kaleka, & Katsikeas (2004)
Cavusgil & Zou (1994)	Richey & Myers (2001)
Connolly, Conlon, & Deutsch (1980)	Steer (1977)
Dess & Beard (1984)	Thompson (1967)
Dess & Robinson (1984)	Yuchtman & Seashore (1967)
The Global Apparel Industry & Apparel Import Intermediaries	
Alder (2004)	Ellis (2007)
Appelbaum & Christerson (1997)	Ha-Brookshire & Dyer (2006)
Applebaum & Gereffi (1994)	Jones & Hayes (2004)
Balabanis (2000)	Morgan, Kaleka, & Katsikeas (2004)
Balabanis (2001)	Olsen (1978)
Baughman (2004)	Overby & Servais (2004)
Bonacich, Cheng, Chinchilla, Hamilton, & Ong (1994)	Peng & Ilinitich (1998)
Cline (1990)	Peng, Hill, & Wang (2000)
Deng & Wortzel (1995)	Peng & York (2001)
Dyer & Ha-Brookshire (in press)	Reichel (2000)
Dicken (2003)	Scheffer & Duineveld (2004)
	Taplin & Winterton (2004)

CHAPTER III

RESEARCH CONCEPTUAL MODEL

Chapter III presents the following sections: (a) Relevant Empirical Research, (b) Gaps in the Research, (c) Research Conceptual Model, and (d) Research Hypotheses.

Relevant Empirical Research

Due to a dearth of import studies, particularly investigating import performance, a review of empirical research on export or export intermediaries' performance comprised the relevant extant literature for this study, as it shares the similar context of international business dealing with foreign markets and business partners. Much has been discussed about export performance in the last three decades as larger manufacturers have looked for new markets overseas. Consequently, there has been a growing body of literature concerned with the management influences on export performance, especially the antecedents of export performance. Given that this study's objectives were to develop and empirically test a model of AIIs' capabilities, competitive advantages, and performance, an understanding of previous empirical studies related to export performance provided an appropriate foundation. Table 3.1 summarizes the findings of previous empirical studies that were specifically focused on the antecedents and consequences of export and export intermediaries' performance.

Table 3.1.

Findings on the Antecedents of Export and Export Intermediaries' Performance

Author(s)	Sample (Response Rate)	Country/ Population	Analytical Approach	Background Variable	Intervening Variable	Outcome Variable	Relevant Findings
<i>Export Performance (EP^d)</i>							
Morgan, Kaleka, & Katsikeas (2004)	287 survey responses (48%)	The U.S. / Manufacturers that export through foreign distributors	Structural equation modeling	Resources available; Capabilities available	Export venture competitive strategy; Positional advantage	Economic and strategic export venture performance	Export venture's availability to resources and capabilities were directly associated with its positional advantage, and thereby, its performance.
Bello, Chelariu, & Zhang (2003)	20 interviews and 290 survey responses (72%)	The U.S. / Manufacturers that export through foreign distributors	Structural equation modeling	Resource inadequacy; Manufacturers' dependency; Market volatility; Psychic distance; Product complexity; Human content	Relationalism (a mode of governance, where the exchange conduct is managed through relationship exchange norms)	Economic and strategic export distributors' performance	Relationalism was a key factor that links various facets of the export context to the distributor performance.
Balanabis & Katsikeas (2003)	82 survey responses (18.5%)	The U.K. / Exporters	Structural equation modeling	Internal factors; External factors	Entrepreneurial posture	Economic EP	Firms with organic structures and large size were more likely to adopt entrepreneurial posture, and thereby, positively affect EP.

(table continues)

Table 3.1.1. (continued)

Author(s)	Sample (Response Rate)	Country/ Population	Analytical Approach	Background Variable	Intervening Variable	Outcome Variable	Relevant Findings
<i>Export Performance (EP^a)</i>							
Richey & Myers (2001).	12 interviews and 404 survey responses (21.9%)	The U.S. / Manufacturer exporters	Confirmatory factor analysis	Organizational factors; Environmental factors; Strategic factors	Market information use	Economic and strategic EP	Strategic, environmental, and organizational factors were drivers of firms' market information use, and thereby, led to higher EP.
Souchon & Diamantopoulos (1997)	12 interviews & 39 survey responses (26%)	The U.K. / British exporters	ANOVA	Awareness of Export information sources; Export information overload	Export information acquisition modes	Economic, subjective, and comparative EP	The level of managers' awareness on export information sources affected their information acquisition modes, and thereby, led to positive EP.
Cavusgil & Zou (1994)	202 interviews and 202 surveys	The U.S. / Exporting firms across 16 different industries	Confirmatory factor analysis	Internal forces; External forces	Export marketing strategy	Economic and strategic EP	Marketing strategy, firm's international competence, and material commitment were key success factors.
Walters & Samiee (1990)	145 survey responses (29.5%)	The U.S. / Small export firms across industries		Export commitment; Export strategy; Export administrative arrangement	N/A	Economic EP	Export commitment, export strategy, and export administrative arrangement had strong associations with EP.

(table continues)

Table 3.1.1. (continued)

Author(s)	Sample (Response Rate)	Country/ Population	Analytical Approach	Background Variable	Intervening Variable	Outcome Variable	Relevant Findings
<i>Export Intermediaries' (EIs^b) Performance</i>							
Balabanis (2001)	135 survey responses (24%)	The U.K./ British exporters	Multiple regression analysis	Product diversification; Functional diversification; Geographical diversification	N/A	Economic EIs' performance	Product and functional diversification were important to EIs' export stability. Geographical diversification was not.
Peng & York (2001)	195 survey responses (21%)	The U.S./ Trading companies	Multiple regression analysis	Ability to lower clients': search cost; negotiation costs; monitoring/ enforcement costs	N/A	Economic and subjective EIs' performance	The contributions of export knowledge and taking title to EIs' performance outweighed the contributions of product specialization and negotiation ability.

Note. ^a Export Performance. ^b Export Intermediary.

The earliest work on export performance can be traced to Tookey (1964). Since that time, numerous empirical studies have examined the interrelationships among the antecedents of export performance and their outcomes. Katsikeas, Leonidou, and Morgan (2000) reviewed over 100 journal articles related to export performance at the firm level and found three groups of variables that were most commonly used until the late 1990s. The first group was background variables, that is, managerial, organizational, and environmental forces that more likely indirectly affect export performance. The second group was intervening variables, that is, targeting and marketing strategy factors that directly affect export performance. The third group was outcome variables that have centered on firms' export performance.

As to the managerial factors among background variables, managers' commitment and the level of managers' awareness of export information sources were reported as either directly or indirectly related to export performance (Souchon & Diamantopoulos, 1997; Walters & Saimees, 1990). Organizational factors among background variables, the firm's international competence, the degree of organic structure, and planning for future export venture, were found to impact export performance indirectly (Balabanis & Kastikeas, 2003; Cavusgil & Zou, 1994; Richey & Myers, 2001). Among environmental factors as background variables, market volatility was found to relate positively to the firm's use of market information and, ultimately, export performance (Richey & Myers, 2001), while environmental hostility was reported to affect export performance negatively (Balabanis & Katskeas, 2003).

With regard to intervening variables, targeting and marketing strategy factors have been heavily investigated in the export performance literature. Targeting factors refer to the critical strategies of identifying, selecting, and segmenting international markets (Kotabe & Helsen, 1998). Although little empirical attention was given to these factors, export expansion strategy (selecting markets) and foreign market segmentation were found to be significantly related to the firm's export performance (Amine & Cavusgil, 1986; Lee & Yang, 1990). Export marketing strategy essentially refers to the means by which a firm responds to internal and external forces to meet its objectives, including product, promotion, pricing, and distribution strategies (Cavusgil & Zou, 1994). Cavusgil and Zou (1994) concluded that export marketing strategy was influenced by the firm's internal (firm and product characteristics) and external (industry and export market characteristics) factors and had a positive association with export performance.

Export performance has been typically considered the dependent variable in the export literature. Export performance has been defined as the outcome of a firm's activities in export markets, and, thus, most research has focused on the firm's economic or financial performance using objective measures of export performance (Kastikeas et al., 2000). For example, the most common economic performance measures have been export sales intensity, export sales growth, export profitability, export sales volume, and export sales intensity growth. Both sales-related measures and profit-related measures have been criticized because these measures might be affected by factors other than successful exporting operations, without reflecting the true competitive dimensions of export success (Kirpalani & Balcome, 1987).

Over the past decade and a half, the export literature has matured and changes have been made in the approaches that researchers have taken. In addition to managerial, organizational, and environmental factors, very recently, the availability and quality of the firm's resources have been investigated as indirect antecedents of export performance, perhaps indicative of a stronger focus on a resource-based view of the firm (Bello et al., 2003; Morgan et al., 2004).

Also, other intervening variables, including entrepreneurial posture, relationalism, and positional advantages have been addressed and empirically evaluated as the direct antecedents of performance. For example, entrepreneurial posture, the firm's propensity to take risks, innovate, and be proactive, was found to have a direct positive relationship with export performance (Balabanis & Katsikeas, 2003). Relationalism, the mode of the firm's governance, where exchange conduct between the two committed parties is managed through relationship exchange norms, was shown to be a key factor that links various facets of the export context to distributor performance (Bello et al., 2003). Competitive (or positional) advantages were also empirically found to be direct antecedents of export venture performance because the relative superiority of an export venture's value offering may affect target customers' buying behavior and the outcomes of this behavior for the export venture (Morgan et al., 2004).

As the outcome variable, the construct of export performance has required new perspectives. Particularly, Cavusgil & Zou (1994, p. 2) argued that exporting is "a firm's strategic response to the interplay of internal and external forces," thus export performance must incorporate strategic measures to investigate export performance.

Since this definition of exporting, most export performance studies have adopted multi-dimensional assessments of export performance (Bello et al., 2003; Morgan et al., 2004; Richey & Myers, 2001; Souchon & Diamantopoulos, 1997).

Compared with the export performance literature, the topic of export intermediaries (EIs) has developed only recently, and empirical research on export intermediaries' performance has been very limited. Of the two empirical studies found, Balabanis (2000) investigated the impact of product, functional, and geographical diversification on the sales, exports, and profitability of U.K. export intermediaries. His survey results showed that EIs' product diversification (the diversity of unrelated products that EIs carry) and unrelated functional diversification (EIs' involvement in other areas, including financing, manufacturing, transportation, insurance, and so on) were important for EIs' stable financial performance. However, geographical diversification, the diversity of geographical markets to which export intermediaries export their products, was not.

Taking a more theoretically grounded approach, Peng and York (2001) hypothesized that export intermediaries' abilities to reduce clients' cost of search, negotiation, and monitoring/enforcement directly affected their performance on the basis of agency theory of the firm, transaction cost theory of the firm, and a resource-based view of the firm. Although their hypotheses were all supported, their empirical study results showed that the contributions of export knowledge and taking title to products outweighed the contribution of product specialization and negotiation ability to performance.

Interestingly, both studies concluded that in order to achieve stable economic performance, EIs should focus on relatively simple, undifferentiated, commodity products rather than high-tech, differentiated products. This finding was somewhat contradictory to their definition of EIs—specialized service firms bridging the gap between domestic manufacturers and foreign customers because it suggested that EIs might provide specialized service but not specialized products. These research studies sampled export companies from the *Directory of Export Buyers in the UK* or U.S. trading firms from the *Exporter Yellow Pages*, respectively. Although the authors argued that these directories were the best source to generate their study samples, firms listed in these directories might not have represented true EIs as defined by the studies' authors. Additionally, both studies were narrowly centered on the impact of firms' specific strategies or resources on their performance, without considering intervening variables that might help to explain the interrelationships between the firms' strategies or resources and their performance.

Gaps in the Research

Although export intermediary research began in earnest in the mid to late 1990s, it has become an active research area in recent years. Research in this area could be characterized as relatively immature (when compared with other strategic management literatures) and focusing in large part on the roles, service, and functions of EIs. These studies have not directly considered the role of importers. Most importer studies found in the literature have been related to importers' behavior as it could help foreign exporters. Importers in these studies have been viewed as ultimate buyers of foreign products and

analyzed from the foreign sellers' perspective in an effort to increase their international sales (Deng & Wortzel, 1995; Reichel, 2000). Thus, importers' behavior research has been interested in importers' motives and barriers in the selection/rejection of foreign supplier alternatives, the decision-making process for choosing foreign suppliers, and importers' relations with foreign suppliers (Overby & Servais, 2004).

As the United States has transitioned from a net exporter to a net importer in the apparel trade, the contributions of import intermediary firms, however, have shifted in importance. Despite these changes, most academics and policy-makers have continued to focus on manufacturing and exporting when analyzing the apparel industry. The result is a critical gap in our understanding of important supply chain members in a global economy—apparel import intermediaries (AIIs). Given that very little is known about the operations of these firms, this study explored the very basic issues of their capabilities, competitive advantages, and performance. The study's findings offered important information about these newly influential firms that facilitate import transactions between domestic clients and foreign suppliers in a global economy.

Research Conceptual Model

Previous models and studies in export and export intermediaries' performance provided an excellent starting point for the study's conceptual model—a model of AIIs' capabilities, competitive advantages, and performance in a hyper-dynamic market environment.

Antecedents of AIIs' Performance

AIIs' Functional Capabilities

This study adopted a resource-based view of the firm to explain the nature of the firm and, thus, AIIs' resources—firm capabilities—were selected as the specific focus of the study (Barney, 1991; Conner, 1991). Among firm resources, capabilities have been a special focus for strategy researchers investigating firm performance. Day (1994, p.38) made a specific distinction of capabilities from other asset-oriented resources and defined firm capabilities as “complex bundles of skills and accumulated knowledge, exercised through origination processes.” He argued that firm capabilities differ from firm assets in that capabilities cannot be easily tracked by a monetary value, while other tangible plant and equipment can. Firm capabilities are seen to be deeply embedded in the organizational routines and practices that cannot be easily traded or imitated, while other physical asset resources can. Firm capabilities can be manifested through typical business activities, including order fulfillment, new product development, or service delivery. Supporting this, Morgan and his colleagues (2004) empirically assessed the role of firm capabilities in their export venture performance research and showed that export

managers should focus their efforts not only on resource acquisition but also capability building as capabilities form a set of critical antecedents for export performance.

In the context of AIIs, four critical functional activities have been discussed. AIIs have been found to play a liaison role between their domestic clients and foreign suppliers, offering design, marketing, sourcing, and service assistance to domestic clients in the apparel marketplace. Furthermore, each functional activity was reported as requiring unique implementation capabilities (Ha-Brookshire & Dyer, 2006). For example, AIIs' design capabilities were manifested through product development for specific target markets via unique trend interpretation. AIIs' marketing capabilities were exercised through informational search knowledge via personal immersion in unique trade activities, while AIIs' sourcing capabilities were expressed as relationship building and management skills approached from multiple perspectives simultaneously. Finally, AIIs' service capabilities were described as extensive and prompt customer service management abilities via 24/7 kid-glove treatment.

AIIs' Competitive Advantages

Based on a resource-advantage theory of competition perspective, the study proposed that AIIs' competitive advantages would be the direct antecedents of AII performance (Anderson, Fornell, & Lehman, 1994; Cavusgil & Zou, 1994; Morgan et al., 2004; Piercy, Kaleka, & Katsikeas, 1998; Morgan et al., 2004). Thus, AIIs would utilize their firms' capabilities (resources) effectively and efficiently to obtain competitive advantages among their competitors and, in turn, achieve superior performance (Hunt, 2000). In other words, because not all firms have the same capabilities at the same time,

this heterogeneity in firm capabilities would result in variations in its competitive advantages in the marketplace, and, in turn, its performance (Barney, 1991; Hunt, 2000).

A firm is said to have a competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors (Barney, 1991). Competitive advantages are composed of a firm's relative value that has been produced by its resources and relative resource costs for producing such value (Hunt, 2000). In the export performance literature, three types of competitive advantage have been identified, that is, cost advantage, product advantage, and service advantage. Cost advantage involves a monetary cost in producing, marketing, and delivering firms' value offering, which affects their price and perceived value in the marketplace (Kotha & Nair, 1995; Morgan et al., 2004; Porter, 1985). Product advantage explains quality, design, and other product attributes that distinguish firms' value offerings from those of their competitors (Kim & Lim, 1988; Morgan, et al., 2004; Porter, 1985; Song & Parry, 1997). Service advantages refers to firms' superior value derived from their service activities of their value offering, including delivery speed, reliability, and extensive service management (Dyer & Ha-Brookshire, in press; Kim & Lim, 1988; Li & Dant, 1999; Morgan, et al., 20004). These three types of competitive advantages were expected to be relevant for AIIs' as well.

Outcomes of AII's Performance

The study's outcome variable, performance, included three measures—economic, strategic, and relationship performance—based on a multiple constituency approach (Connolly et al., 1980; Sharfman & Dean, 1994). The economic performance measures used to assess the achievement of AII's economic goals, such as import sales volume, market share, and profitability (Cavusgil & Zou, 1994; Richey & Myers, 2001; Souchon & Diamantopoulos, 1997), have been the most commonly used indicators in the firm performance literature.

The strategic performance measures were designed to evaluate the achievement of AII's non-economic strategic goals, including AII's creative contributions to the market, recognition as market experts, development of critical business relationships with suppliers and clients, and pursuit of long-term stability (Dyer & Ha-Brookshire, in press). The approach used to assess firms' non-economic strategic performance has been well supported by numerous firm and export performance research since Cavusgil and Zou (1994).

The relationship performance measures were intended to capture the level of the achievement of AII's relationship goals relative to their business partners, including domestic clients' and foreign suppliers' impression, retention, and loyalty (Katsikeas et al., 2000; Morgan et al., 2004). The relationship performance was discussed to be particularly important for AII as these firms manage two asymmetrical, yet critical, business relationships simultaneously. Thus, AII business partners' evaluations, attitudes,

and behaviors were considered important performance objectives (Cavusgil & Zou, 1994; Peng & York, 2001).

AIIs' Market Environment

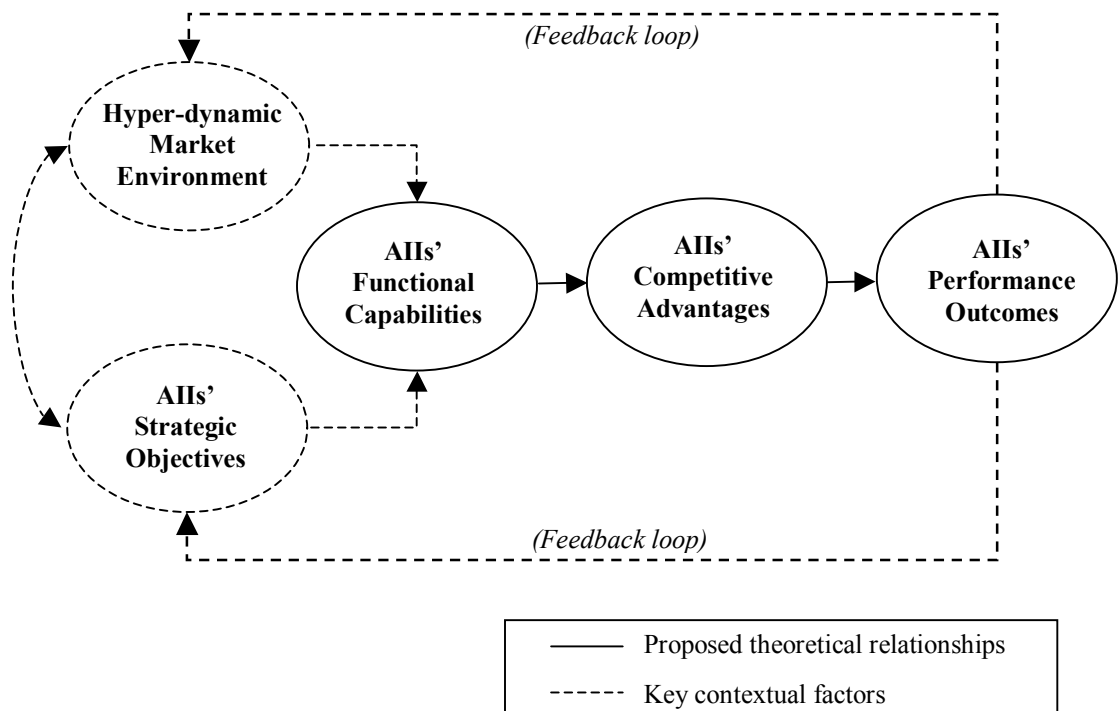
Apparel import intermediaries do not operate in a vacuum and must consider and respond to their context, the hyper-dynamic environment of the fashion industry where production is driven by fashion cycles, short production runs, and consumers' insatiable desire for something new. As discussed in the market environment literature, this environment creates high levels of complexity, turbulence, resource competition, and accelerated business cycles which blend together and force firms to change their objectives and consequent business conduct (Dyer & Ha-Brookshire, in press). Such on-going changes in AIIs' environment and objectives then force these firms to rearrange their functional capabilities either by acquiring new resources, reallocating extant resources, or improving their capabilities through learning. The interrelationships among the market environment, firm activities, firm objectives, and learning were consistent with a resource-advantage theory of competition perspective and have been empirically evaluated in the literature (Calantone et al., 2003; Day, 1994; Dyer & Ha-Brookshire, in press; Glazer & Weiss, 1993; Hunt, 2000; Kaiser & Sproul, 1982; Kuivalainen et al., 2004; Matthews & Scott, 1995; Miller & Friesen, 1982; Pelham, 1999; Sharfman & Dean, 1991; Tosi & Slocum, 1984).

Summary

In sum, the study proposed that AIIIs achieve competitive advantages in the import marketplace through their functional capabilities and, in turn, gain superior multi-dimensional performance. AIIIs' performance, over time, would in turn affect the market environment in which they operate, and, thus, AIIIs would pursue a new set of objectives in the changed market environment. This iterative process of competition is an on-going struggle to survive and achieve economic, strategic, and relationship goals. Figure 3.1 describes the integrative, conceptual model of the antecedents and consequences of AIIIs' performance in a hyper-dynamic market environment.

Figure 3.1.

Conceptual Model



Research Hypotheses

Based on the study's conceptual model developed from the resource-based view of the firm, the resource-advantage theory of competition, the market environment literature, previous exploratory qualitative studies on AIIs, and empirical studies in the export performance literature, the following six research hypotheses were developed to present the expected theoretical relationships of AII capabilities, competitive advantages, and performance outcomes (see Figure 3.2):

H1a: AIIs' cost advantages positively impact their performance.

H1b: AIIs' capabilities positively impact their cost advantages.

H2a: AIIs' product advantages positively impact their performance.

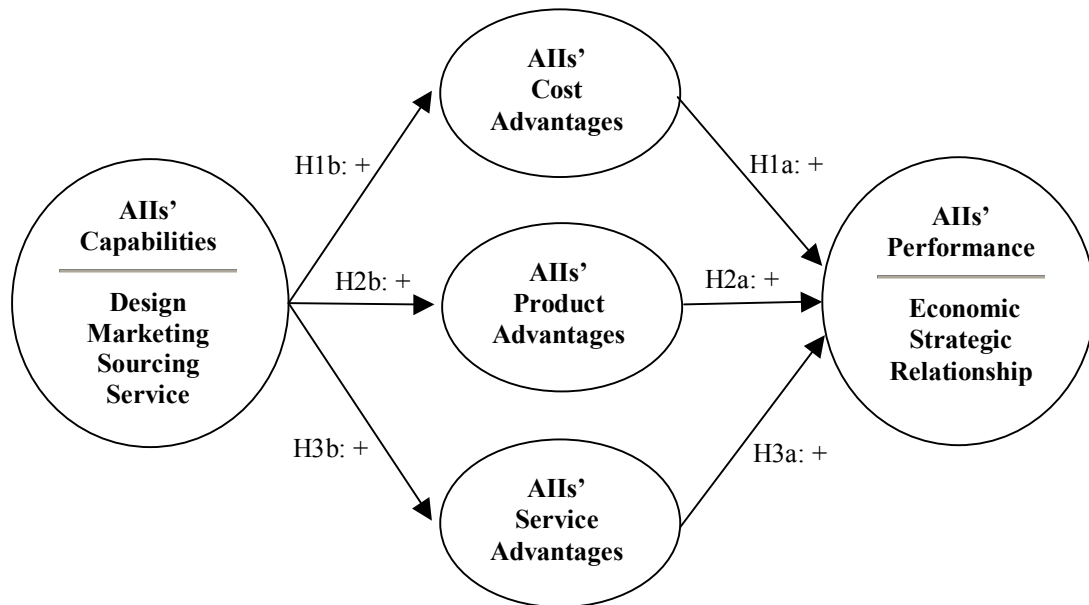
H2b: AIIs' capabilities positively impact their product advantages.

H3a: AIIs' service advantages positively impact their performance.

H3b: AIIs' capabilities positively impact their service advantages.

Figure 3.2.

Research Hypotheses



CHAPTER IV

RESEARCH METHODOLOGY

Chapter IV provides the following sections: (a) Research Design and Survey Instrument Development, (b) Sample, (c) Data Collection Procedures, and (d) Data Analysis Techniques.

Research Design and Survey Instrument Development

A survey instrument was developed to collect data to empirically test the interrelationships among AIIs' capabilities, competitive advantages, and performance in a hyper-dynamic market environment, as proposed by the study's conceptual model. The study's survey instrument was designed by incorporating the findings from the first phase qualitative interview studies with relevant scales established in the export performance literature (Cavusgil & Zou, 1994; Dyer & Ha-Brookshire, in press; Ha-Brookshire & Dyer, 2006; Morgan et al., 2004; Richey & Myers, 2001).

AIIs' Capabilities

The study developed a survey instrument for AIIs' design, marketing, sourcing, and service capabilities based on the first phase qualitative interview studies and Morgan and his colleagues' (2004) measurement scales from the export performance literature. The first phase qualitative interview studies suggested that AIIs' design capabilities were manifested through product development for specific target markets via unique trend interpretation. This interpretation of AIIs' design capabilities were mainly consistent with Morgan and his colleagues' product development capabilities construct; however, appropriate assessment of AIIs' design capabilities needed to include trend interpretation. Therefore, the study added a question to Morgan and his colleagues' scale to address AIIs' capabilities to interpret trends to satisfy end-user customers. This appropriate adaptation aimed to increase the reliability of the scale and validate the interpretations from the qualitative research.

AIIs' marketing capabilities were reported to be exercised through market scanning and unique implementation of informational search capabilities that involved personal immersion in the apparel industry. Morgan and his colleagues' firm information capabilities construct was generally consistent with AIIs' marketing capabilities; however, AIIs' focus on personal immersion in the market was not addressed. Therefore, the study added a question, assessing AIIs' capability to interpret market information through personal "on the floor" experience. This appropriate adaptation was intended to increase the reliability of the scale and validate the interpretations from the qualitative research.

Given that AIIs deal with overwhelmingly powerful domestic retail and wholesale clients and highly competitive foreign suppliers simultaneously, AIIs' sourcing capabilities were described as relationship building and managing these two different power structures. This understanding of AIIs' sourcing capabilities was similar to Morgan and his colleagues' (2004) relationship building capability construct, originally developed to investigate export performance. Because this measure was designed for exporters who focus their business relationships on foreign customers only, the study modified Morgan and his colleagues' survey items to address both AIIs' business partners—domestic retail and wholesale clients and foreign suppliers. For example, the original survey question, “Compared with main competitors, our firm’s ability to establish and maintain close *overseas distributor* relationships is” was adapted and developed into two separate questions: (a) “Compared with main competitors, our firm’s ability to establish and maintain close *domestic client* relationship is”; and (b) “Compared with main competitors, our firm’s ability to establish and maintain close *foreign supplier* relationship is.”

Finally, AIIs' service capabilities were reported to be intensive, requiring prompt customer service management capabilities with an ‘always there for you 24/7’ approach and a goal of long-term service relationships with domestic clients. This explanation was reflective of Morgan and his colleagues' service differentiation strategy construct. Consequently, their service differentiation strategy construct was used to assess AIIs' service capabilities in this study, indicating the importance of AIIs' ability to differentiate their service offering to create a successful competitive position. The study adopted

Morgan and his colleagues' scale for AIIs' service capabilities, adding a question that would capture AIIs' capabilities to develop a long-term domestic client service relationship. This appropriate adaptation sought to increase the reliability of the scale and validate the interpretations from the qualitative research.

As a result, the study developed survey scales to measure four different constructs dealing with AIIs' capabilities: (a) a four-item scale for AIIs' design capabilities; (b) a six-item scale for AIIs' marketing capabilities; (c) a four-item scale for AIIs' sourcing capabilities; and (d) a four-item scale for AIIs' service capabilities.

AIIs' Competitive Advantages

The scales for firms' price, product, and service advantages were substantively adapted from Morgan and his colleagues (2004). While comparing the definition of each construct with the survey questions, it was also necessary to add or modify questions to accurately assess AIIs' competitive advantages. For example, with regard to product advantages, the study added the question, "our firm's products, in terms of fashion appeal, are," emphasizing the critical importance of fashion appeal in apparel products. With regard to service advantages, some of the original questions lacked a firm operation context. Thus, the study modified the original question, "Compared with main competitors, our firm's product accessibilities are," to "Compared with main competitors, our firm's established import connections to provide effective product accessibility are." Similarly, "Compared with main competitors, our firm's product line breadth is" was changed to "Compared with main competitors, our firm's established import connections to provide a wide range of product accessibility are." Finally, any original questions that

were double-barreled were separated into two questions to assess a single concept at one time. For example, the original question, “Compared with main competitors, our firm’s delivery speed and reliability are,” was separated into two questions: (a) “Compared with main competitors, our firm’s delivery speed is”; and (b) “Compared with main competitors, our firm’s delivery reliability is.”

As a result, the study organized survey scales to measure three different constructs representing AIIs’ competitive advantages: (a) a four-item cost advantage scale, (b) a four-item product advantage scale, and (c) a six-item service advantage scale.

AIIs’ Performance Outcomes

AIIs’ performance outcomes were divided into three dimensions: (a) economic performance, (b) strategic performance, and (c) relationship performance. The three-item economic performance scale consisted of an export sales volume item drawn from Cavusgil and Zou (1994), an export market share item drawn from Morgan and his colleagues, and a profitability scale item drawn from Richey and Myers (2001). Because there were no relevant scales available to assess AIIs’ strategic performance, the study developed a new five-item scale based on the first phase qualitative interview findings. Finally, the AIIs’ relationship performance scale was adopted from Morgan and his colleagues’ scale of distributor evaluation of export performance, originally designed to examine attitudes and behaviors of distributors with whom export ventures do business. Two major modifications, however, were made to assess the AII context more accurately and clearly. First, the original questions were structured to ask export managers’ perceptions of how their distributors would evaluate their firm’s service quality, the

quality of their relationship, or the product/service offering with scale anchors ranging from 1 “much worse” to 7 “much better.” In order to deliver the core message of these questions more easily and more clearly, they were reorganized as “Our domestic clients are impressed with our firms’ service quality” with scale anchors from 1 “strongly disagree” to 7 “strongly agree.” Second, because the original questions were designed to focus on foreign business partners only, the survey questions were modified to address AIIs’ dual business partners, domestic retail and wholesale clients and foreign suppliers.

As a result, the study developed survey scales to measure three different dimensions of AIIs’ performance outcomes: (a) a three-item economic performance scale, (b) a five-item non-economic strategic performance scale, and (c) a ten-item relationship performance scale. Table 4.1 shows the survey constructs, item sources, and scale development.

TABLE 4.1.

Survey Constructs, Item Sources, and Development

Constructs	Measurement Items	Source	Development
Alls' Design Capabilities (4 items)	V1 – Developing new products	Morgan et al. (2004)	Adapted from the scale of product development capabilities used in the export venture performance literature
	V2 – Building the product to designated or revised specification		
	V3 – Utilizing new methods and ideas in the manufacturing process		
	V4 – Interpreting trends to satisfy end-user customers		
Alls' Marketing Capabilities (6 items)	V5 – Identifying prospective domestic clients	Ha-Brookshire & Dyer (2006)	A new item developed from the first phase qualitative interview study
	V6 – Capturing important market information		
	V7 – Acquiring import market-related information		
	V8 – Making contacts in the import market		
	V9 – Monitoring competitive products in the import market		
	V10 – Interpreting market information through personal “on the floor” experience		
Alls' Sourcing Capabilities (4 items)	V11 – Understanding domestic clients' requirement	Morgan et al. (2004)	Adapted from the scale of relationship capabilities used in the export venture performance literature
	V12 – Understanding foreign suppliers' requirement		
	V13 – Establishing and maintaining close foreign supplier relationships		
	V14 – Establishing and maintaining close domestic client relationships		

(table continues)

TABLE 4.1. (continued)

Constructs	Measurement Items	Source	Development
Alls' Service Capabilities (4 items)	V15 – Achieving and maintaining on-time product delivery	Morgan et al. (2004)	Adapted from the scale of service differentiation strategy used in the export venture performance literature
	V16 – Achieving and maintaining prompt response to domestic clients' orders		
	V17 – Offering extensive 24/7 domestic client service	Ha-Brookshire & Dyer (2006)	A new item developed from the first phase qualitative interview study
	V18 – Developing a long-term domestic client service relationship		
Alls' Cost Advantages (4 items)	V19 – Cost of raw material	Morgan et al. (2004)	Adapted from the scale of price positional advantage used in the export venture performance literature
	V20 – Production cost per unit		
	V21 – Cost of goods sold		
	V22 – Selling price to domestic clients		
Alls' Product Advantages (4 items)	V23 – Product quality	Morgan et al. (2004)	Adapted from the scale of product positional advantage used in the export venture performance literature
	V24 – Packaging		
	V25 – Design and styles	Ha-Brookshire & Dyer (2006)	A new item developed from the first phase qualitative interview study
	V26 – Products in terms of fashion appeal		
Alls' Service Advantages (6 items)	V27 – Effective Product accessibility	Morgan et al. (2004)	Adapted from the scale of service positional advantage used in the export venture performance literature
	V28 – A wide range of product accessibility		
	V29 – Technical support for domestic clients		
	V30 – After sales service for domestic clients		
	V31 – Delivery speed		
	V32 – Delivery reliability		

(table continues)

TABLE 4.1. (continued)

Constructs	Measurement Items	Source	Development
Alls' Economic Performance (3 items)	V33 – Import sales volume	Cavusgil & Zou (1994)	Adapted from three extant scales
	V34 – Market share	Morgan et al. (2004)	
	V35 – Profitability	Richey & Myers (2001)	
Alls' Strategic Performance (5 items)	V36 – Creative contributions	Dyer & Ha-Brookshire (in press)	New items developed from the first phase qualitative interview study
	V37 – Recognition as an expert		
	V38 – Establishment of critical business relationships		
	V39 – Accomplishment of business strategic goals		
	V40 – Long-term stability		
Alls' Relationships Performance (10 items)	V41 – Service quality perceived by domestic clients	Morgan et al. (2004)	Adapted from the scale of distributor export performance used in the export venture performance literature
	V42 – The quality of relationship perceived by domestic clients		
	V43 – Reputation perceived by domestic clients		
	V44 – Overall total product/service offering perceived by domestic clients		
	V45 – Domestic clients' loyalty to AIIIs		
	V46 – Service quality perceived by foreign suppliers		
	V47 – The quality of relationship perceived by foreign suppliers		
	V48 – Reputation perceived by foreign suppliers		
	V49 – Overall total product/service offering perceived by foreign suppliers		
	V50 – Foreign suppliers' loyalty to AIIIs		

Survey Scales

The directions in the survey instructed the respondent to think about the firm's main competitors and then indicate his/her views on those capabilities, competitive advantages, and performance. Specifically, the firm's performance measures instructed the respondent to base his/her answers on the firm's performance over the past 12 months to set a consistent timeframe for the performance evaluation period. A seven-point Likert-type scale (for example, 1=much worse, 7=much better; 1=strongly disagree or 7=strongly agree; or 1=extremely poor, 7=extremely successful) was used throughout the survey. Likert-type scales use numbers to assess objects on certain attributes and assume equal increments of the attribute being measured. This type of interval scale was desirable for most statistical operations as it is possible to compute an arithmetic mean from interval-scale measures (Aacker, Kumar, & Day, 1995). In addition, Likert-type scales asking a relative assessment on a continuum have been commonly used for primary data collection in empirical strategy research and, more generally, in management and marketing research (Ward, McCreery, Pitzman, & Sharma, 1998).

Other General Questions

Other general questions were used to obtain AIIs' business classifications, geographic locations, business operations characteristics, and other business characteristics information. Particularly, given that AIIs are currently facing "an identity crisis" due to classification or definitional issues, it was critical to identify AIIs based on the study's definition. In order to correctly classify AIIs based on the study definition, the survey questionnaire included items asking the percentage of products that the

respondent's firm domestically manufactured or the percentage of goods directly imported by his/her firm. The survey also asked if the respondent's firm currently owns retail stores making direct sales to end-user consumers. If his/her firm does, the survey asked what percentage of his/her firm's total products would be directly sold to end-user consumers.

Additionally, for an overall picture of geographic locations, business operations and other business issues of the firms that participated in this study, the study's survey questionnaire included the following questions: years of major import operations, the number of countries from which his/her firm imports products, the average number of suppliers per country, the number of domestic clients to which his/her firm supplies products, the number of employees including overseas staff, the percentage of overseas staff, his/her firm's business classification, his/her firm's major product category, annual gross sales, and the title of the respondent. This information was not directly used in the main statistical analysis; however, it was included in Chapter V, Results and Analysis, to provide more detailed contextual information about the study participants.

Survey Instrument Refinement

The survey instrument was refined, modified, and pre-tested through a series of processes before being finalized. First, to ensure face or content validity, a preliminary survey instrument was evaluated by five academic professors in the areas of consumer, apparel, and retail studies and education research methodology. During this process, survey questions were re-stated, using a common introduction to introduce the general question. This procedure significantly reduced redundancy with regard to questions and

spaces. The response brackets of firms' various demographic information (for example, 11%-20%) were also revised to be intuitively more familiar and clear (for example, 10-19%). All other suggested revisions were editorial and were implemented.

Next, in order to evaluate individual item content, clarity of instructions, and response format, the revised survey was further refined through pre-testing. The pre-test questionnaire was sent in an envelope designed for the full survey package. A total of 15-20 apparel import firm managers received the pre-test questionnaire, including the 13 executives who participated in the first phase qualitative interview studies. Seven of them replied. No systematic problems were identified. Relevant editorial changes were implemented. This process of participation confirmation sought to enhance the validity of the results of the qualitative interview studies (Nelson et al., 2002). Appendix D presents the final version of the survey.

Survey Package

To improve the accuracy of response and to encourage completion of the questionnaire, the format of the questionnaire was designed to be brief and easy-to-read. The physical format of the questionnaire was taken into consideration. The questionnaire was printed on standard-sized 8 ½" x 11" paper and folded in half to form a respondent-friendly booklet format. The survey package included (a) a personalized cover letter on letterhead stationery; (b) a consent form to act as a human participant; (c) a copy of the questionnaire booklet; and (d) a self-addressed, first-class postage stamped envelope for returning the questionnaire.

Letterhead stationery is typically considered important, partly because of its integral connection to personalization efforts (Dillman, 2000). The study prepared the cover letter on letterhead stationery from the Department of Consumer, Apparel, and Retail Studies at the University of North Carolina at Greensboro (UNCG) to solicit firms' participation proactively. This cover letter was folded in half in a way that when the packet is unfolded, the respondent would simultaneously see the letter personally addressed to them. In Paxson, Dillman, and Tarnai's (1995) study, surveys addressed to individual persons achieved much higher response rates compared to those addressed to the company. The cover letter also stated that should the addressee not be the most qualified individual at the firm to answer the survey, to please forward the survey to the most qualified individual for completion.

Additionally, the cover letter included the purpose of the survey, directions on how to respond to the survey questionnaire, confidentiality issues concerned with the survey study, and an incentive. Upon participants' request, as an incentive, the study offered a detailed Advanced Executive Summary of the results, including relevant and applicable information that may help the respondents with practical business problems. No other type of incentive was provided. Respondents were also requested to complete the survey and return it to the researcher before a specific deadline (three weeks from mailing). The average time to complete the survey was 15 to 20 minutes. Examples of the survey questionnaire and the cover letters are presented in Appendix D, Appendix E, and Appendix F.

A long version of the consent form to act as a human participant, approved by the UNCG Institutional Review Board, was printed in the size of 5 ½" x 8 ½" to be consistent with the size of the survey questionnaire booklet. Next, a copy of the questionnaire booklet followed the consent form. Finally, a self-addressed, first-class postage stamped return envelope completed the survey package. Several experimental studies indicated that a stamped return envelope significantly helped to increase response rates and generated faster responses compared to a business reply envelope, perhaps affecting statistical significance analysis (Armstrong & Luske, 1987; Dillman, Clark, and Sinclair, 1995). As per Dillman (2000), when the respondents see an uncanceled postage stamp placed on a return envelope, they recognize monetary value has been given to them; they may have a positive and helpful attitude to survey responses. It might also encourage the respondents to trust that the questionnaire is important, thus they are more likely to pay attention to the survey. Additionally, it might be culturally difficult for many people to throw away something that has monetary value.

The entire material was arranged in the order described above and inserted in a 6½" x 9 ½" booklet-size envelope. Similar to official letterhead stationery, the outgoing envelope was specially prepared with an official logo of the department and university and full contact information to emphasize personalized efforts. The survey package was sent out during November 2006, by first-class postage. According to Dillman (2000), first-class postage is superior to bulk rate mail in survey response rates. Bulk rate mail is delivered at a lower priority than first-class mail and may look inconsistent with the image of importance that the study may seek. Dillman also argued that first-class postage

mail could be sufficient motivation for the respondents to open the envelope when it is delivered.

Sample

The study drew its sample frame through ReferenceUSA, an Internet-based reference service from the Library Division of *infoUSA* (ReferenceUSA, 2006). ReferenceUSA provides detailed information on more than 14 million U.S. businesses, including an address, phone number, estimated sales, number of employees, and other information. It also has powerful search options to find firms by specific industries according to SIC or NAICS codes.

Due to AIIs' "identity issues" reported in the first phase qualitative interview studies, the study's sample was generated from the population of U.S. apparel manufacturers and wholesalers that are currently importing apparel products for the purpose of reselling goods to other wholesalers or retailers. The study did not include U.S. apparel retailers that import apparel products to make direct sales to individual consumers. Consequently, the study generated a list of potential sample firms under NAICS codes 315 (apparel manufacturers), 42432 (men's and boys' clothing and furnishing merchant wholesalers), and 42433 (women's and girls' clothing and furnishing merchant wholesalers).

Footwear wholesalers (NAICS 42434) or piece goods and notion wholesalers (NAICS 42431) were excluded from the study's sample frame as their major products are other than apparel. Although the study's definition of AIIs included apparel merchandise agents and brokers who trade apparel products on a commission basis without taking title

to goods, it was not possible to identify these firms as unique entities under the current NAICS codes. Today, the NAICS tracks wholesale agents and brokers under the category of nondurable goods (NAICS 4251204) without further specifying other types of nondurable goods. Furthermore, the proportion of this category within the wholesale sector was relatively small, and, thus this particular business type did not seem to make significant contributions in the overall wholesale sector. As per the 2002 economic census, nondurable goods wholesale agents and brokers (NAICS 4251204) accounted for only 9.9% of nondurable goods merchant wholesalers (NAICS 424) (U.S. Census Bureau, 2006, February 15). Thus, exclusion of apparel merchandise agents and brokers was deemed appropriate.

In business survey research, it is particularly important to specify what constitutes a separate organization or firm for purposes of the survey because different people may have different perspectives on the boundary of an organization (Dillman, 2000). Consequently, the study clarified the unit of the study's investigation as (a) each firm with a name and location in a particular community as a separate business; and (b) each division within the multi-divisional corporation as a separate business, regardless of its location. For example, if a firm has multiple offices performing similar functions across the nation, each office in a different community was considered a separate business as each office is believed to utilize independent firm capabilities, to achieve different competitive advantages, and to produce various performance outcomes (Dillman, 2000). If a firm is an extremely large corporation with multiple divisions, such as men's, women's, and children's, each division was regarded as a separate business as these

divisions are believed to be mutually exclusive enough for their independent capabilities, different competitive advantages, and various performance outcomes. In order to avoid possible information duplication that might be caused by multiple responses from a single unit of a firm, the study specifically solicited only one response from each firm.

As a result, a list of 19,595 firms including both apparel manufacturers and apparel wholesalers was generated as the study's sample population as of September 25, 2006. This list was arranged in alphabetical order of the firms' names within each state. Then, the group of states was placed in alphabetical order. To ensure randomness of sample selection, every fifteenth firm was chosen, resulting in a list of approximately 1,175 firms nationwide as the study's initial sample frame.

Next, the researcher contacted each firm in the list of apparel firms via phone or email to confirm whether the firm was currently operating and engaged in apparel importing as well as to verify the contact information and its current mailing address. The target respondents for the survey were firm executives with titles such as president, chief executive officer, chief operating officer, vice president of merchandising, vice president of sales, vice president of international operation, head of production/sourcing department, head of merchandising department, head of sales department, chief merchandiser, and chief designer. These executives are, in general, believed to be the most knowledgeable about broad-based firm characteristics and those most capable of making reasonable judgments about their firm's strategic operations, competitive advantages, and performance in recent years (Cavusgil & Zou, 1994; Morgan et al., 2004). This verification process was repeated until the study reached to a list of 807 firms

across the nation as the study's final sample frame. It was anticipated that this sample frame would produce sufficient survey responses for the purpose of the study by using Dillman's (2000) Mixed-mode Survey technique. This technique is discussed in the Data Collection Procedures section in more detail.

Data Collection Procedures

The self-administered survey is a useful research technique to estimate the distribution of characteristics in a population, and it allows researchers to sample a large number of respondents over a wide geographic area (Dillman, 2000). Therefore, the study employed the self-administered survey using Dillman's Mixed-mode Survey technique, suggesting various modes of follow-up contacts for data collection to enhance the survey response rate. The study surveys were mailed to a total of 807 U.S. apparel firms in mid November 2006 after pre-verification of the apparel firms' addresses as described earlier. A full package of the survey included an individual cover letter, human subject consent form, and prepaid envelope.

Three weeks after the initial mailing of the survey, the researcher made follow-up contacts via phone calls, e-mail, and personal visits to the firms who had not yet responded. The researcher conducted follow-up contacts at least twice per firm. This type of Mixed-Mode Survey technique has become more popular as people's ability to screen telephone interviews and personal e-mail communications have increased. By using similar techniques, Mooney, Giesbrecht, and Shettle (1993) increased an initial response rate ranging from 63 to 79% to an overall response rate of 88% in their study of the National Survey of College Graduates. Although the target respondents were firm

executives, not college students, the study aimed to achieve high response rates by incorporating Dillman's (2000) technique.

A follow-up survey replacement, where still interested firms had not received, had lost, or could not find the original mailing, was also made by mailing, emailing, or personal handouts as requested. As an additional effort to increase the study's response rate, the study offered different options of survey responses when providing replacement of the survey. If requested, the researcher sent replacement of the survey either by mail or e-mail based on potential respondents' preferences. Groves and Khan (1979) argued that people prefer different modes of response and if such preferences are important to them, it may affect their willingness and desire to respond. Thus, this type of switching response modes were believed to draw new possibilities for communicating greater rewards, lower costs, and increased trust by emphasizing the importance of the study and encouraging participation (Dillman, 2000).

As a final step, a postcard or an e-mail message was sent out to all respondents to express appreciation for their participation and provide those requesting the study results with a tentative date of provision of the executive summary.

Data Analysis Techniques

Descriptive Data Analysis and Response Rates

Once the survey results arrived, each survey response was tracked by the date it arrived and by whether the response was a result of follow-up contacts. Survey responses were then transferred into an Excel file for initial descriptive data analysis, including response rates, the basic characteristics of the sample respondents, non-response bias, and measurement differences. Comparisons were made using frequencies and percentages to obtain the general characteristics of the survey respondents.

Non-response Bias and Measurement Differences

To assess potential non-response bias in the data, a comparison between early and late responses was made with respect to each construct measure (Armstrong & Overton, 1977; Lambert & Harrington, 1990). Any responses returned within three weeks from initial mailing were considered early responses. Any responses after three weeks were categorized as late responses. In order to check potential non-response bias, the sample was split into two groups—early responses and late responses—and tested for statistically significant differences between the two groups, using Multivariate Analysis of Variance (MANOVA) for the study's construct measures.

In addition to non-response bias in the data, the study examined measurement differences, possibly caused by the Mixed-mode Survey technique. As per Dillman (2000), this technique might help to increase response rates; however, it could also raise a few issues, such as the possibility that people may give different answers when different modes of distribution for the survey or different modes of follow-up contacts are made.

This issue may create potential measurement differences. Consequently, to check potential measurement differences in the data, the sample was split into two groups—without follow-up responses and with follow-up responses—and tested for statistically significant differences between the two groups, using Multivariate Analysis of Variance (MANOVA) for the study's construct measures.

Measurement Model Estimation

After completing initial descriptive data analysis, first, the study's construct measures were purified, employing exploratory factor analysis (EFA) and reliability analysis (Morgan et al., 2004). Measurement purification was particularly important for this study as the scales adopted from the export literature and new scales drawn from the first phase qualitative interview studies have never been applied to the AII setting. In general, the goal of factor analysis is to refine the variables in the most parsimonious number of factors and, thus, factor analysis is designed to find the variables with high correlations among themselves but low correlations with all other variables (Rencher, 2002). Particularly, EFA is a useful tool to determine how many factors are necessary to explain the relationships among the observed indicators when the number of factors is absolutely unknown (Raykov & Marcoulides, 2000).

Initially, all 50 variables were divided into three groups representing the study's constructs: (a) 18 items for AIIs' capabilities (from V1 to V18); (b) 14 items for competitive advantages (from V19 to V32); and (c) 18 items for AIIs' performance (from V33 to V50). Next, EFA using the oblique rotation method was conducted for each construct separately as this rotation method is the most appropriate when the researcher's

goal is to obtain several theoretically meaningful factors or constructs (Hair et al., 1998). When analyzing the results of EFA, both latent root criterion (eigenvalues greater than 1) and the percentage of variance criterion were used to obtain the most significant and theoretically meaningful number of factors for each construct. That is because, often, decisions based on eigenvalues greater than 1 alone are not the most effective when there are fewer than 20 variables, as these decisions have a tendency to extract too few factors (Hair et al., 1998). During the analysis, individual items were also examined. Items with low item-to-total correlations, low loadings on the intended factors, and high cross-loadings were removed. Additional EFA was conducted to reach a set of items with theoretically meaningful, high loadings on the intended factors, low cross-loadings, and high reliability coefficients for each construct.

Once the number of underlying factors of each construct was identified by EFA, the measurement model was assessed using LISREL 8.72 (Jöreskog and Sörbom, Scientific Software International) with variance-covariance input. In general, the measurement model (a) specifies the indicators for each construct in a confirmatory mode and (b) assesses the reliability and validity of each construct (Hair, Anderson, Tatham, & Black, 1998). Thus, the measurement model was necessary to ensure a satisfactory level of measurement reliability and validity for the underlying variables and their respective factors in the model before examining the causal relationships among the latent variables. Each measurement model was assessed using maximum likelihood (ML) estimation, as ML is the most widely used estimation technique (Hair et al., 1998). Additionally, ML has been recently found to perform reasonably well under various less-than-optimal

analytic situations, such as small sample size and excessive kurtosis (Hoyle & Panter, 1995). It is generally accepted that the minimum sample size to ensure appropriate use of ML estimation is 100 to 150 (Hair et al., 1998). The variance-covariance matrix was recommended for data analysis because it is considered an appropriate data form for validating causal relationships (Hair et al., 1998).

The first step in evaluating the study's measurement model was to assess "offending estimates," including negative error variance, standardized coefficients exceeding or very close to 1.0, or very large standard errors associated with any estimated coefficient (Hair et al., 1998, p. 610).

The second step of the study's measurement model evaluation was to examine an overall model fit with one or more goodness-of-fit measures (Hair et al., 1998). Goodness-of-fit measures the correspondence of the actual or observed input matrix with that predicted from the proposed model (Hu & Bentler, 1995). However, there seemed to be unanimous agreement among SEM researchers that not all estimation methods and fit indices lead to the same inferential outcome when evaluating structural equation models (Hu & Bentler, 1995). Thus, a number of indices were used for the study's overall model fit evaluation.

Among absolute fit indices, the value of chi-square statistics was evaluated for an overall model fit as it is reported to be promising when the sampling distribution is known, despite its sensitivity to sample size and the multivariate normality distribution assumption (Hoyle & Panter, 1996; Hu & Bentler, 1995). This statistic was reported with degrees of freedom, sample size, and *p*-value. The Root Mean Square Error of

Approximation (RMSEA) was also used as it is a popular index of an overall model fit and takes into account model complexity, reflected in the degrees of freedom.

Additionally, unlike the chi-square value, the RMSEA is not sample-dependent (Raykov & Marcoulides, 2000). RMSEA values below 0.05 typically indicate a very good fit to the data, while values below 0.08 suggest a generally good fit to the data. The upper acceptable threshold of the RMSEA value is 0.10 (Hair et al., 1998).

The Goodness-of-Fit Index (GFI) was another absolute fit index that the study used. GFI represents the proportion of variance and covariance that the proposed model explains (similar to R^2 in a regression analysis). Although the GFI is moderately associated with sample size, it provides intuitive interpretations because that is analogous to the familiar R^2 value reported in regression analysis (Tanaka, 1993). It is generally accepted that models with a GFI above .90 present a reasonably good approximation of the data, however, there is no absolute threshold level of acceptability that has been established (Hair et al., 1998).

In addition to absolute fit indices, Hoyle and Panter (1995) suggested at least two incremental fit indices. The study reported Tucker & Lewis's (TLI), also called the Nonnormed Fit Index (NNFI), and the Comparative Fit Index (CFI). As per Hu and Bentler (1995), TLI estimates the degree to which a particular exploratory factor model is an improvement over a zero factor model when assessed by ML, and NNFI was proposed after generalizing TLI to all types of covariance structure models under various estimation methods. TLI or NNFI both perform well when ML estimation is used (Hoyle & Panter, 1995). Finally, CFI estimates the relative reduction in lack of fit as estimated

by the noncentral chi-square statistic of a target model versus a baseline model (Hoyle & Panter, 1995). In general, TLI/NNFI and CFI with values above .90 indicate a good fit to the data.

The third step in evaluating the study's measurement model was to examine the measurement model fit. In other words, once the overall model fit had been evaluated, the measurement of each construct was assessed for reliability and validity (Hair et al., 1998). Reliability of measurement instruments in SEM is particularly important as structural equation models with unreliable measures may suggest exaggerated effects and magnify the degree of parameter estimate effects (Kaplan, 2000). Reliability refers to the internal consistency of a set of measurements or a measuring instrument. Thus, the indicators of highly reliable constructs are highly inter-correlated, suggesting that they all are measuring the same latent construct (Hair, et al., 1998). In the study's measurement model, composite reliability coefficients of the constructs were computed, using the following Spearman-Brown formula:

$$\alpha = \frac{q\bar{r}}{1 + (q - 1)\bar{r}}$$

where \bar{r} is the average pairwise correlation for the observed measures being aggregated and q is the number of measures loading on the composite trait (DeVellis, 1991).

Reliability does not ensure validity because the measures might be quite reliable, yet, they might not measure a valid construct. (Hair et al., 1998). Validity refers to the extent to which the indicators accurately measure what they are supposed to measure.

The study discussed and evaluated three types of validity—content validity, convergent validity, and discriminant validity—that are most commonly discussed in the literature.

Content validity, also called face validity, assesses the correspondence of the variables to be included in a summated scale and its conceptual definition (Hair et al., 1998). To include theoretical and practical considerations, the correspondence between the individual items and the concept is often subjectively evaluated by expert judges, pretests, or other similar methods (Morgan et al., 2004). In this study, content validity of the survey was grounded by combining relevant extant scales and qualitative research findings on apparel import intermediaries. Additionally, the preliminary survey instrument was evaluated by five academic researchers in the apparel business and educational research methodology areas, who served as expert judges. The process of pre-testing and revising survey items helped to ensure the content validity of the survey.

Convergent validity refers to the degree to which two measures of the same concept are correlated (Hair et al., 1998). High convergent validity indicates that the scale is measuring its intended concept. Thus, whether all indicators load significantly on designated constructs is a good way of assessing convergent validity. The study reviewed items loadings and *t*-values of each loading to evaluate the significance of each loading. If a *t*-value of an item loading is greater than the critical value of 1.96, then the study considered that item loading to be statistically significant at a 95% confidence level (Fornell & Larcker, 1981).

Discriminant validity refers to the degree to which two conceptually similar concepts are distinct (Hair et al., 1998). In other words, different indicators are used to

measure different constructs and the indicators of different constructs should not be highly correlated. Thus, discriminant validity analysis refers to testing statistically whether two constructs differ. In this study, discriminant validity among all of the study measures was assessed by examining the correlations between each possible pair of constructs. Any correlations of inter-factors with values exceeding .80 were examined for possible multicollinearity (Hair et al., 1998). The confidence interval of 2 standard errors around the correlation between each possible pair of constructs was also reviewed to see whether it included 1.0. If it does, then the researcher failed to demonstrate discriminant validity (Carr & Pearson, 2002).

Structural Model Estimation

Once the measurement model had been evaluated and the study measures had been validated, the structural model (or structural regression model) was examined to test the plausibility of hypothetical relationships among latent variables (Raykov & Marcoulides, 2000). This two-step approach—the measurement model and the statistical model—have been preferred by many researchers because they believe that accurate representation of the reliability of the indicators is best accomplished in two steps to avoid the interaction of measurement and structural models (Hair et al., 1998).

Similar to an overall fit evaluation of the measurement model, multiple fit indices, including the chi-square statistic, RMSEA, GFI, TLI/NNFI, and CFI were assessed for an overall structural model fit based on ML estimation. Path coefficient estimates, *t*-values, and significance levels for the structural paths were evaluated to investigate the causal relationships among the study's constructs as proposed in the integrative model of AIIs'

capabilities, competitive advantages, and performance in a hyper-dynamic market environment. The direct effect of AIIs' positional advantages and the indirect effect of AIIs' functional capabilities on AIIs' performance outcomes were also explored.

Finally, post hoc model modifications were conducted to provide alternative models. This involved the comparison of model results to determine the best fitting model from a set of models (Hair et al., 1998). As a part of a model development strategy, the study started with an initial model and engaged in a series of model re-specifications, each time hoping to improve the model fit while maintaining accordance with the underlying theory. A number of measures were used to compare models, including the overall model fit in absolute terms, a series of parsimonious fit measures, the comparison of the chi-square values for the different models, and the effect of adding or deleting one or more causal relationships (Hair et al., 1998).

CHAPTER V

RESULTS AND ANALYSIS

Chapter V presents the following sections: (a) Sample Description and Response Rate, (b) Characteristics of the Survey Respondents, (c) Results of Testing for Non-response Bias and Measurement Differences, (d) Measurement Model Analysis Results, (e) Structural Model Analysis Results, (e) Testing of Research Hypotheses, and (f) Post Hoc Model Modifications.

Sample Description and Response Rate

A total of 165 responses to the study survey had been received by the end of December 2006. Table 5.1 presents the sample response rate.

Table 5.1.

Sample Response Rate

	<i>Frequency</i>	<i>Percentage</i>
Initial sample frame	807	100%
Firms not participating for the following reasons:	65	8.1%
Not interested or a "no survey" policy	23	2.9%
Not reachable (e.g. closed, moved, or wrong address)	42	5.2%
Returned surveys:	165	20.4%
Apparel import intermediaries	159	19.7%
Apparel manufacturers (2 incomplete responses)	5	0.6%
Apparel retailers	1	0.1%
Adjusted sample frame: 742		
Adjusted response rate: 22.2% (165/742)		
Adjusted sample frame of AII: 736		
Adjusted effective response rate with the AII respondents: 21.6% (159/736)		
Requests for the study results: 33.9% (56/165)		

Out of the randomly selected 807 possible survey participants, despite the pre-verification of the firm's addresses and contact information of apparel wholesale firms via phone calls and email, 65 (8.1%) firms were excluded from data collection as they were not interested in the study or were not reachable by the end of December 2006. Twenty-three (2.9%) firms openly refused to participate in the survey. These firms' executives or their secretaries expressed that either they were not interested in the study or their firm had a "no-survey" policy. Forty-two (5.2%) firms were not reachable as they

seemed to have closed for business or had moved with no forwarding address or phone number between the time of the researcher's verification contact and the time when the survey was delivered. This statistic implied that over 5% of apparel firms closed or moved during the last quarter of 2006, suggesting a highly dynamic and accelerated business environment in today's U.S. apparel industry.

After subtracting the 65 firms that would not be participating in the survey, the study yielded an adjusted sample size of 742. By the end of the data collection, a total of 165 responses had been received, indicating an adjusted response rate of 22.2%. Based on the percent of the firm's total sales from domestic manufacturing and the percent of the firm's total sales from direct retailing, the study classified 159 firms as AIIs, 5 firms as apparel manufacturers, and 1 firm as an apparel retailer. This classification resulted in the study's effective response rate of 21.6%, excluding apparel manufacturers and apparel retailers. More detailed information on respondents' business classification is discussed in the next section, the characteristics of the survey respondents.

The overall quality of the responses was excellent. Only two responses were returned incomplete. These two respondents expressed that part of the survey questions were irrelevant for their business practices as they were strictly involved with apparel manufacturing without any import operations. Consequently, these responses were not included in the later data analysis which used only responses from AIIs. The survey respondents' interest in this study was also clear. Fifty six out of 165 (33.9%) respondents indicated that they would like to receive an advanced executive summary of the study findings. Additionally, some respondents provided information on the size of

their companies, detailed information on their products, and gave special encouragement to the researcher for pursuing the study.

Characteristics of the Survey Respondents

Identifying AIIIs

Considering the suspected “identity crisis” among AIIIs, one of the critical processes of the data analysis was to properly identify AIIIs by the study’s definition. First, the study evaluated the firm’s ownership status of domestic manufacturing facilities and the degree of manufacturing operations to isolate apparel manufacturers from AIIIs. Second, the study assessed the firm’s ownership status of direct retail stores and the degree of retailing operations to differentiate apparel retailers from AIIIs. Third, the results of the business classifications based on the study’s definition were compared with those based on the responses by the survey participants. Table 5.2 describes the breakdown of domestic manufacturing and retailing operations of the survey respondents. No other apparent stratification variables were considered in the data analysis.

First, in investigating the firm’s involvement with domestic manufacturing operations, 11 out of 165 (6.7%) firms indicated that they owned domestic apparel manufacturing facilities, whereas the majority of the respondents, 154 out of 166 (93.3%) firms, indicated that they did not own domestic apparel manufacturing facilities. Among the 11 firms that owned domestic manufacturing facilities, the percent of total sales generated from their domestic manufacturing facilities was then explored to assess the degree of the firm’s domestic manufacturing operations. Six out of 11 (54.5%) firms with manufacturing facilities generated less than 30% of their sales from these domestic

manufacturing facilities. Only 5 out of 11 (45.5%) firms had over 50% of their total sales generated from their own domestic manufacturing facilities. None of the respondents indicated the firm's domestic manufacturing operations in the range of 30% to 49%. It seemed that 30% of domestic manufacturing operation was a natural breakpoint in distinguishing AIIIs from apparel manufacturers who base over 50% of their sales on their domestic operations. This comparison suggested that over half of U.S. apparel firms that own domestic manufacturing facilities may be, in fact, involved in other than domestic manufacturing operations, such as wholesaling or importing.

TABLE 5.2.

Breakdown of Domestic Manufacturing and Retailing Operations for the Survey

Respondents

Firm Domestic/Retailing Operations	Frequency	Percentage
Ownership of domestic manufacturing facilities		
No	154	93.3%
Yes: Among YES, % of total sales from domestic manufacturing facilities:	11	6.7%
1-9%	3	1.8%
10-19%	1	0.6%
20-29%	2	1.2%
30-39%	0	0.0%
40-49%	0	0.0%
over 50%	5	3.1%
Ownership of retail stores		
No	154	93.3%
Yes: Among YES, % of total sales from retail stores:	11	6.7%
1-9%	7	4.3%
10-19%	3	1.8%
20-29%	0	0.0%
30-39%	0	0.0%
40-49%	0	0.0%
over 50%	1	0.6%
The study's classification of the respondents	165	100%
Apparel import intermediaries	159	96.3%
Apparel manufacturers	5	3.0%
Apparel retailers	1	0.7%
Among AIIIs, self classification by the respondents	159	100%
Apparel wholesaler	81	50.9%
Apparel manufacturer	56	35.2%
Apparel retailer	0	0.0%
Other (frequency)	22	13.8%
Agent (7); Importer (7);		
Factory representative (4);		
Buying service office (2);		
Manufacturer/wholesaler both (1); and		
No information (1)		

Second, in order to distinguish AIIs from apparel retailers, the study evaluated the responses on the firm's ownership of retail stores making direct sales to end-users. While 11 out of 165 (6.7%) firms stated that they own retail stores, 10 out of 11 (91%) firms indicated that the percent of their total sales generated from their retail stores was less than 20%. Only 1 out of 11 (9%) firms had over 50% of its sales coming from its own direct retailing operations. None of the respondents indicated that their retail sales fell in the range of 20% to 49%. It seemed that generating 20% of sales from retailing operations seemed to be a natural breakpoint in distinguishing AIIs from apparel retailers who base over 50% of their total sales on direct retailing operations. This comparison suggested that a small portion of AIIs are involved with retailing, however, in general retailing activities appeared to be relatively insignificant.

Using the above heuristics, the study further refined the initial screening of firms in order to include only firms that met the study definition of AIIs. The survey respondents under these additional heuristics were classified into three categories, resulting in 1 retailer, 5 apparel manufacturers, and 159 AIIs. Some AIIs generated less than 30% of their sales via domestic manufacturing facilities, others made less than 20% of total sales from retailing operations. The majority of AIIs were engaged in neither domestic manufacturing nor retailing activities. This finding was consistent with that of the first phase qualitative interview studies.

Third, once identified based on the study's definition; the survey respondents' self classification on their firms' business types was reviewed. Consistent with the first phase qualitative interview studies, the survey respondents indicated various types of business

classifications for their firms' major business operations. Among 159 AII respondents based on the study's definition, 56 (35.2%) respondents classified themselves as apparel manufacturers. Of the 56, 50 actually had no domestic manufacturing operations whatsoever, while 6 of the 56 did have domestic manufacturing facilities, but produced less than 30% of their sales from these facilities. Based on this, the vast majority of their business activities were from import operations, and they should be classified as AIIs. It was clear that the study participants were confused with their identities as manufacturers. Twenty-two out of 159 (13.8%) AII respondents indicated "other" as their firms' business classifications, including agents (7 responses), importers (7 responses), factory representatives (4 responses), and buying service offices (2 responses). One respondent specifically expressed that his or her firm is a manufacturer/wholesaler both. Another respondent did not specify his or her firm's business type at all. These findings were particularly interesting in that some executives of apparel agents, importers, factory representatives, or buying service offices did not consider themselves to be wholesalers despite the fact that the government classification system describes them as wholesalers.

In conclusion, consistent with the first phase qualitative interview studies, the findings suggested that nearly 50% of AII executives seemed to be confused about their business types. Some were convinced that they were manufacturers despite little domestic manufacturing involvement. Others did not identify themselves as any of the business types described by the U.S. government classification system.

Geographic Locations

Initial surveys were sent to 28 states across the United States after pre-verification of qualified firms' addresses and contact information via phone calls and email. Of the 807, 667 (82.7%) surveys were sent to the state of New York given that New York dominated AII's business operations. By the end of the data collection, the survey responses were received from 16 states with 76.4% of the total responses from the state of New York.

The response rate was also reviewed per state. Over 50% of the responses came from firms in the states of Maryland, Illinois, Oklahoma, Tennessee, Philadelphia, Louisiana, Virginia, and Colorado. Between 14.3% and 37.5% of the responses were obtained from firms in the states of New York, California, New Jersey, North Carolina, Georgia, Minnesota, Missouri, and Texas. Table 5.3 displays the geographic locations of the survey respondents' business operations in order of the percentage of total responses.

TABLE 5.3.

Geographic Location of the Survey Respondents

State	Initial Sample Frame Frequency	Survey Responses Frequency		Response Rate per State	Percentage of Total Responses
		Alls	Others		
New York	667	124	2 (1R ^a ;1M ^b)	18.9%	76.4%
California	40	13	1 (M)	35.0%	8.5%
New Jersey	16	6		37.5%	3.6%
Philadelphia	6	2	1 (M)	50.0%	1.8%
Illinois	3	2		66.7%	1.2%
North Carolina	10	2		20.0%	1.2%
Oklahoma	3	2		66.7%	1.2%
Tennessee	3	1	1 (M)	66.7%	1.2%
Georgia	7	1		14.3%	0.6%
Louisiana	2	1		50.0%	0.6%
Maryland	1		1 (M)	100.0%	0.6%
Minnesota	4	1		25.0%	0.6%
Missouri	5	1		20.0%	0.6%
Texas	5	1		20.0%	0.6%
Virginia	2	1		50.0%	0.6%
Colorado	2	1		50.0%	0.6%
Connecticut	3				
Florida	6				
Hawaii	1				
Kansas	1				
Massachusetts	3				
New England	1				
Ohio	3				
Oregon	1				
South Carolina	2				
Utah	3				
Washington	4				
Wisconsin	1				
West Virginia	2				
Total	807	159	6		100%

^aR: Retailer. ^bM: Manufacturer.

Business Operations

The characteristics of AIIs' business operations dealing with domestic clients and foreign suppliers were manifested through various survey questions, including the percent of total sales from import operations, years of import operations, the number of countries from which the firm imports products, the number of suppliers per country, and the number of domestic clients to which the firm made sales. Table 5.4 summarizes detailed information on the business operations characteristics of the AII study respondents.

First, it was clear that most AII firms were deeply engaged in apparel import operations. Approximately 85% of the AII respondents claimed that over 90% of their total sales were generated from their own import operations. Only 5% of the AII respondents indicated that less than half of total sales came from their own import operations, implying a significant portion of domestic product purchasing. In other words, most AIIs appeared to be heavily involved with importing, directly dealing with foreign suppliers; yet only a small portion of AIIs seemed to make wholesaling transactions domestically. This finding provided direct empirical support for the study's position of the need for a new term, apparel import intermediaries, to identify a segment of today's apparel supply channel members properly. As these statistics indicated, AIIs appeared to be clearly different from traditional supply channel members such as wholesalers or jobbers who are generally considered to make domestic transactions among domestic manufacturers, retailers, and other wholesalers with little focus on import operations.

TABLE 5.4.

Business Operations Characteristics of the AII Survey Respondents

Business Operations	Frequency	Percentage
Percent of total sales from direct import operations:	159	100%
Less than 49%	8	5.0%
50 – 59%	7	4.4%
60 – 69%	4	2.5%
70 – 79%	1	0.6%
80 – 89%	4	2.5%
Over 90%	135	84.9%
Years of import operations:	159	100%
Fewer than 9 years	30	18.9%
10 – 19 years	51	32.1%
20 – 29 years	47	29.6%
30 – 39 years	25	15.7%
40 – 49 years	5	3.1%
Over 50 years	1	0.6%
Number of countries from which the firm imports products:	159	100%
Fewer than 4	49	30.8%
5 – 9	69	43.4%
10 – 14	39	24.5%
15 – 19	2	1.3%
20 – 24	0	0.0%
Over 25	0	0.0%
Number of suppliers per country from which the firm imports products:	159	100%
Fewer than 4	122	76.7%
5 – 9	29	18.2%
10 – 14	8	5.0%
15 – 19	0	0.0%
20 – 24	0	0.0%
Over 25	0	0.6%
Number of domestic clients to which the firm sell products:	157	100%
Fewer than 4	14	8.8%
5 – 9	36	22.6%
10 – 14	41	25.8%
15 – 19	32	20.1%
20 – 24	5	3.1%
Over 25	31	19.5%

Second, the responses on the years of the firm's import operations revealed that over 80% of the AII participants had fewer than 29 years of import experience. This coincided with the decrease in domestic apparel manufacturing in the U.S. in the past 30 years. This finding was also consistent with Ha-Brookshire and Dyer's (2006) argument that many U.S. apparel firms have transformed themselves from a manufacturing orientation to an import orientation in recent decades.

Third, the question dealing with the number of countries from which an AII firm imports products hoped to capture the breadth of AIIs' import connections worldwide, as each foreign country poses different levels of knowledge and experience relative to product development and international trade. Of 159 AII respondents, 118 firms (74.2%) reported that they were importing products from fewer than nine countries with only two (1.3%) AII firms importing products from 15 to 19 countries in the past three years on average. No respondents indicated that they were importing products from more than 20 countries. Despite the wide range of foreign countries that can produce and export apparel products for U.S. apparel firms, it seemed that most of the study's respondents were focused on fewer than 10 countries. That may be partly because of the ability of one country to produce a variety of product lines for U.S. AII firms. For example, if one country can produce many different product lines, a firm might prefer working with that country for efficient business operations. Another reason for AII firms' import transactions with a limited number of countries could be AIIs' narrow focus on their major product categories. For example, if a firm targets and produces a women's sleepwear product category, it might prefer working with a smaller number of countries

that have sufficient resources and proper, effective labor skills for the women's sleepwear product category.

Fourth, the statistics on the number of suppliers per country from which an AII firm imports products were also intended to canvass the intensity of AII's import connections within a given foreign country. A small number of suppliers within a given country might not be helpful for a large volume of products in a short time, while they might be very helpful for an AII firm with efficient communication given that less training and learning would be involved. Too many suppliers within a given country might cause unnecessary competition among foreign suppliers for limited resources, affecting U.S. AII's reputations for their business practices among foreign suppliers and foreign suppliers' loyalty to U.S. AII's in the long term. Interestingly, 122 out of 159 (76.7%) AII respondents indicated that they had dealt with fewer than four suppliers per country in the past three years on average. Only 8 (5%) AII respondents reported that they had 10 to 14 suppliers per country, and there was no response to having more than 15 suppliers per country. This finding also suggested that AII's preferred working with a limited number of business partners in a given country for a healthy long-term relationship, as well as for efficient and effective business communication.

Finally, the number of domestic clients to which an AII firm sells products was explored to ascertain the range of product lines and target markets that AII firms handle. Contrary to the findings of the number of foreign suppliers as AII's business partners, 123 out of 159 (77.4%) AII respondents indicated that they have sold products to up to 19 different domestic clients in the past three years on average and 31 out of 159 (19.5%) of

AII respondents indicated they have sold to over 25 domestic clients. Compared to the number of countries that AIIs focus on for their import operations, the number of AIIs' domestic clients is much larger, suggesting AIIs are more actively seeking a variety of domestic clients than they are a broad range of foreign suppliers. Considering different clients representing different segments of consumers and products, AIIs appeared to be strongly involved with domestic market research for a wide range of domestic clients in the United States.

Business Characteristics

The characteristics of the survey respondents' businesses were assessed to provide a better understanding of their basic nature. The questions included the number of employees, the portion of overseas staff if any, annual gross sales, product category of the firm's major business, and title of the respondent's position within the firm. Table 5.5 reports the characteristics of the AII firms participating in the study survey.

First, the number of employees (including overseas staff) was requested to obtain an overview of the participant's firm size in terms of the number of employees. Out of 159 AII respondents, 80 (50.3%) AIIs had fewer than 49 employees and 46 (28.9%) AIIs employed 50 to 149 people, resulting in almost 80% of the AII respondents having fewer than 149 employees. This finding suggested that a significant portion of U.S. AIIs would be classified as relatively small business operations.

TABLE 5.5.

Business Characteristics of the AII Survey Respondents

Business Characteristics	Frequency	Percentage
Number of employees (including overseas staff):	159	100%
Fewer than 49	80	50.3%
50 – 149	46	28.9%
150 – 299	15	9.4%
300 – 499	13	8.2%
500 – 749	2	1.3%
Over 750	3	1.9%
Percent of overseas staff, if any:	159	100%
0%	76	47.8%
1 – 9%	45	28.3%
10 – 19%	16	10.1%
20 – 29%	0	0.0%
30 – 39%	3	1.9%
Over 40%	19	11.9%
Annual gross sales figure in US dollars:	159	100%
Less than 4.9 million	29	18.2%
5 – 24.9 million	30	18.9%
25 – 49.9 million	22	13.8%
50 – 99.9 million	24	15.1%
100 – 499 million	49	30.8%
Over 500 million	5	3.1%
Product category of the firm's major business:	159	100%
Women's	65	40.9%
Men's	28	17.6%
Children's and Infants'	31	19.5%
Sleepwear/underwear	28	17.6%
Fur/Leather	4	2.5%
Other: All of the above (2); Women's and Men's (1)	3	1.9%
Position title:	159	100%
CEO/President	63	39.6%
General manager	13	8.2%
Vice President	46	28.9%
Division manager	25	15.7%
Other: Owner (9); Designer (2); Merchandiser (1)	12	7.5%

Second, the percent of overseas staff out of the firm's total number of employees helped to grasp the intensity of AII's international business activities as keeping overseas staffs may require a strong involvement and commitment in a given foreign market. More than half of the AII respondents (52.2%) indicated that they did have overseas staff. Out of 159 AII respondents, 61 (38.4%) had up to 19% of their employees operating overseas and 19 (11.9%) had over 40% of their employees working overseas. This high percentage of overseas staff among AII's suggested an intensive involvement and commitment with foreign supply markets, actively seeking personal hands-on information available only from overseas partners.

Third, the firm's annual gross sales figure in U.S. dollars was assessed to gauge the overall size of the participant's firm in dollar terms. Out of 159 AII respondents, 81 (50.9%) reported that their annual sales figure was less than 49.9 million dollars, coinciding with the 80 percent of AII respondents whose firm sizes were less than 49 employees. Meanwhile, 49 (30.8%) AII respondents generated annual sales between 100 million and 499 million dollars, with only 5 (3.1%) AII firms over 500 million dollars in annual sales.

Fourth, the product category of the firm's major business was asked for in order to understand the types of products that the study participants handled. Out of 159 AII respondents, 65 (40.9%) reported that their major business was related to women's apparel, 31 (19.5%) with children's and infants' wear, 28 (17.6%) with men's wear and sleepwear/underwear respectively, and 4 (2.5%) with fur/leather and other product categories. Three respondents indicated either all of the above or both men's and

women's. These statistics suggested that a wide variety of product categories were handled by AIIs between foreign suppliers and domestic clients.

Finally, the title of the participant's position within the firm was questioned to ensure that the participant was qualified to respond to the survey questions as intended in the study design. Out of 159 AII respondents, 63 (39.5%) were Chief Executive Officers or Presidents, 46 (28.9%) were Vice Presidents, 25 (15.7%) were Division Managers, and 13 (8.2%) were General Managers. 12 (7.5%) specified themselves as other, including Owners, Designers, and Merchandisers. These results confirmed that the survey respondents were executives who were qualified to provide their firms' strategies and performance.

Results of Testing for Non-response Bias and Measurement Differences

Non-response Bias and Measurement Differences

Out of total 159 AII respondents, 60 (37.7%) responses were categorized as early responses and 99 (62.3%) were categorized as late responses. For each and all constructs of AII's capabilities, positional advantages, and performance, the MANOVA test statistics indicated that there were no statistically significant differences between the early and late response groups with *p*-values all being higher than .10. The results suggested that non-response bias should not be a problem in this study. Table 5.6 presents the MANOVA test results for non-response bias.

Table 5.6.

MANOVA Test for Non-response Bias (Early and Late Responses)

Construct	Test Statistics					<i>p</i> -Value
	Wilks' Lambda	Pillai's Trace	Hotelling's Trace	Roy's Greatest Root	F Value (d.f.)	
AII's Capabilities	.995	.005	.005	.005	0.86 (1,157)	.356
Positional Advantages	.988	.012	.013	.013	1.97 (1,157)	.162
AII's Performance	.995	.005	.005	.005	0.85 (1,157)	.357
Entire Constructs	.985	.015	.015	.015	0.79 (3,155)	.502

Out of the total 159 AIIs responses, 63 (39.6%) responses were categorized as without-follow-up responses and 96 (60.4%) were with-follow-up responses. For each and all constructs assessing AIIs' capabilities, positional advantages, and performance, the MANOVA test statistics indicated that there were no statistically significant differences between the without-follow-up group and the with-follow-up group. *P*-values were all higher than .10. The results suggested that measurement differences possibly caused by different follow-up methods should not be a problem in this study. Table 5.7 details the MANOVA test results for measurement differences.

Table 5.7.

MANOVA Test for Measurement Differences (With-follow-up and Without-follow-up Responses)

Construct	Test Statistics					<i>p</i> -Value
	Wilks' Lambda	Pillai's Trace	Hotelling's Trace	Roy's Greatest Root	F Value (d.f.)	
AIIs' Capabilities	.997	.003	.003	.003	0.44 (1,157)	.510
Positional Advantages	.999	.000	.000	.000	0.00 (1,157)	.980
AIIs' Performance	.998	.002	.002	.002	0.30 (1,157)	.586
Entire Constructs	.984	.016	.016	.016	0.84 (3,155)	.475

Measurement Model Analysis Results

Exploratory Factor Analysis

As a result of measure purification, the study obtained (a) three factors for AIIs' capabilities (cumulative percentage of variance = 83.2%); (b) three factors for competitive advantages (cumulative percentage of variance = 87.8%); and (c) two factors for AIIs' performance (cumulative percentage of variance = 90.5%). Appendix J details the full results of the EFA and reliability analyses.

Three interesting points were observed. First, only three significant factors emerged for AIIs' capabilities. Many of the capability items adopted from the extant literature performed poorly and were, thus, dropped from future data analysis. For example, three items designed to capture firms' design capabilities turned out to be less meaningful in the study. It was believed that the questions originally developed for exporting manufacturers might not be successfully applicable to the AIIs' setting. "New design" or "new product" in the apparel industry could mean simply new patterns or styles for the extant product category, rather than a brand-new product category that had never been introduced before, often requiring new manufacturing processes. Many of the AII marketing capability items had similar problems, with EFA leading to only three unique items explaining AIIs' capabilities in marketing. In short, conventional terminology or understanding of a firm's marketing capabilities did not successfully translate to the AII setting. Instead, two items developed from the first phase qualitative studies were found to be highly important variables. Thus, the study renamed "AIIs'

marketing capabilities” “AIIs’ market interpretation capabilities” to more accurately capture the critical meaning of the factor for AIIs.

Second, the initial EFA results of competitive advantages suggested only two factors (cost and product advantages) were statistically significant based on latent root criterion (eigenvalues greater than 1). However, the cumulative percentage of variance with two factors was less than 80%, and this result contradicted extant theory that overwhelmingly suggests service advantages represent an additional distinctive factor. Furthermore, when reviewing the items to ensure face validity of these factors, it was clear that service advantages represented by AIIs’ technical support and after sales service were distinctively different from cost or product advantages. Furthermore, service advantages were particularly emphasized by the executive informants from the first phase qualitative interview studies. Consequently, AIIs’ competitive advantages were finalized with three factors—cost, product, and service—for further data analysis.

Third, and interestingly, the EFA results revealed only two significant factors for AIIs’ performance—relationship performance with domestic clients and relationship performance with foreign suppliers. Eight items detailing both AIIs’ economic and strategic performance factors were extremely highly correlated with the items of AIIs’ relationship performance with domestic clients. This finding implied that if a firm has a good relationship with its domestic clients, then a firm is more likely to have positive economic and strategic performance. Consequently, it was concluded that AIIs’ performance could be successfully manifested through their relationship performance with both domestic and foreign business partners.

As a result, 22 measurement items of representing eight factors were retained for further data analysis. The final eight factors were: (a) three factors for AIIs' capabilities—market interpretation, sourcing, and service; (b) three factors for positional advantages—cost, product, and service; and (c) two factors for AIIs' performance—relationship performance with domestic clients and relationship performance with foreign suppliers. The corresponding items for each factor are presented in Table 5.10.

Measurement Model Estimation

The set of 22 measurement items representing eight factors were subjected to measurement model analysis (or confirmatory factor analysis), using maximum likelihood estimation and variance-covariance matrix, to verify the proposed factor structure. The relationships between the observed variables and their factors were specified in the measurement model. Each factor in the model was allowed to covary with each other factor. Additionally, the errors of each set of the observed variables V41 and V46, V43 and V47, and V44 and V48 were allowed to covary as these questions were organized exactly the same, yet asked performance evaluations from two different business partners—domestic clients and foreign suppliers, respectively. It was expected that the errors for each set of questions would be correlated.

Table 5.8 displays correlations, measure means, and standard deviations used in the study's measurement model. The variables in the model are elaborated in Table 4.1 in Chapter IV. Table 5.9 shows the results of the study's measurement model analysis, including the construct names, observed variables, standardized factor loadings, *t*-values from unstandardized solutions, and composite reliability coefficients. Table 5.10 details

the inter-factor correlations in the measurement model and Figure 5.1 illustrates the measurement model with standardized parameter estimates.

Table 5.8.

Measure Means, Standard Deviations, and Correlations

VAR	V4	V9	V10	V12	V13	V14	V16	V18	V19	V20	V21	V24	V25	V26	V29	V30	V41	V43	V44	V46	V48	V49
V4	1.000																					
V9	.702	1.000																				
V10	.601	.704	1.000																			
V12	.253	.446	.275	1.000																		
V13	.219	.374	.157	.818	1.000																	
V14	.337	.359	.378	.478	.399	1.000																
V16	.310	.362	.426	.453	.366	.717	1.000															
V18	.373	.349	.392	.336	.337	.715	.721	1.000														
V19	.315	.481	.276	.609	.532	.461	.484	.390	1.000													
V20	.194	.430	.264	.591	.482	.446	.511	.367	.931	1.000												
V21	.321	.439	.314	.503	.437	.523	.575	.515	.764	.810	1.000											
V24	.443	.529	.457	.375	.408	.475	.416	.600	.400	.337	.343	1.000										
V25	.505	.490	.518	.420	.371	.567	.475	.618	.486	.413	.446	.709	1.000									
V26	.532	.554	.561	.458	.413	.588	.480	.590	.456	.397	.460	.754	.898	1.000								
V29	.503	.580	.562	.290	.253	.570	.547	.672	.443	.427	.507	.574	.697	.628	1.000							
V30	.594	.575	.538	.342	.273	.613	.542	.576	.428	.360	.454	.466	.595	.608	.729	1.000						
V41	.317	.270	.286	.269	.211	.601	.503	.542	.443	.428	.431	.500	.573	.572	.542	.524	1.000					
V43	.270	.250	.230	.353	.308	.559	.558	.587	.460	.462	.491	.484	.545	.563	.519	.448	.864	1.000				
V44	.372	.348	.321	.306	.255	.548	.559	.602	.461	.451	.472	.516	.637	.610	.580	.488	.846	.822	1.000			
V46	.206	.297	.108	.422	.516	.315	.339	.416	.342	.386	.365	.364	.332	.377	.361	.335	.584	.592	.569	1.000		
V48	.225	.233	.106	.507	.642	.272	.368	.397	.395	.405	.351	.408	.342	.410	.315	.273	.493	.637	.507	.843	1.000	
V49	.255	.295	.115	.517	.653	.278	.341	.445	.427	.405	.367	.471	.419	.451	.358	.298	.528	.603	.620	.848	.904	1.000
ME	5.623	5.616	5.616	5.591	5.698	5.925	6.013	5.925	5.063	5.107	5.428	5.384	5.975	5.881	5.541	5.774	5.950	5.956	5.962	5.604	5.780	5.723
AN																						
S.D.	1.256	1.306	1.257	1.045	1.173	0.965	0.907	1.047	1.035	1.077	1.093	1.195	1.073	1.021	1.236	1.190	0.986	1.015	0.999	1.108	1.071	1.055

Note. Underlining indicates the correlation is not statistically significant at $p < .05$.

Table 5.9.

Measurement Model

Explanatory Variables			Outcome Variables					
Alls' Capabilities			Competitive Advantages			Alls' Performance		
Construct/ Observed Variables	Standardized Loadings ^a	Composite Reliability	Construct/ Observed Variables	Standardized Loadings ^a	Composite Reliability	Construct/ Observed Variables	Standardized Loadings ^a	Composite Reliability
Market Interpretation		.863	Cost		.942	Relationship with Domestic Clients		.943
V4	.78 (11.14)		V19	.96 (16.13)		V41	.93 (15.47)	
V9	.90 (13.86)		V20	.97 (16.62)		V43	.92 (15.41)	
V10	.79 (11.34)		V21	.82 (12.63)		V44	.91 (14.86)	
Sourcing		.901	Product		.925	Relationships with Foreign Suppliers		.951
V12	.86 (13.22)		V24	.78 (11.61)		V46	.89 (14.27)	
V13	.95 (15.44)		V25	.93 (15.32)		V48	.94 (16.02)	
Service		.882	V26	.96 (16.26)		V49	.96 (16.41)	
V14	.88 (13.64)		V29	.87 (13.34)				
V16	.82 (12.28)		V30	.84 (12.54)				
V18	.84 (12.59)							
			Goodness-of-Fit Statistics					
			χ^2 (d.f. 178; N=159) = 448.00, $p < .000$					
			CFI = .96					
			NNFI = .95					
			RMSEA = .098					
			GFI = .80					

Note. All t-values are statistically significant at $p < .05$. N = 159.

^aThe t-values from the unstandardized solution are in parentheses.

Table 5.10.

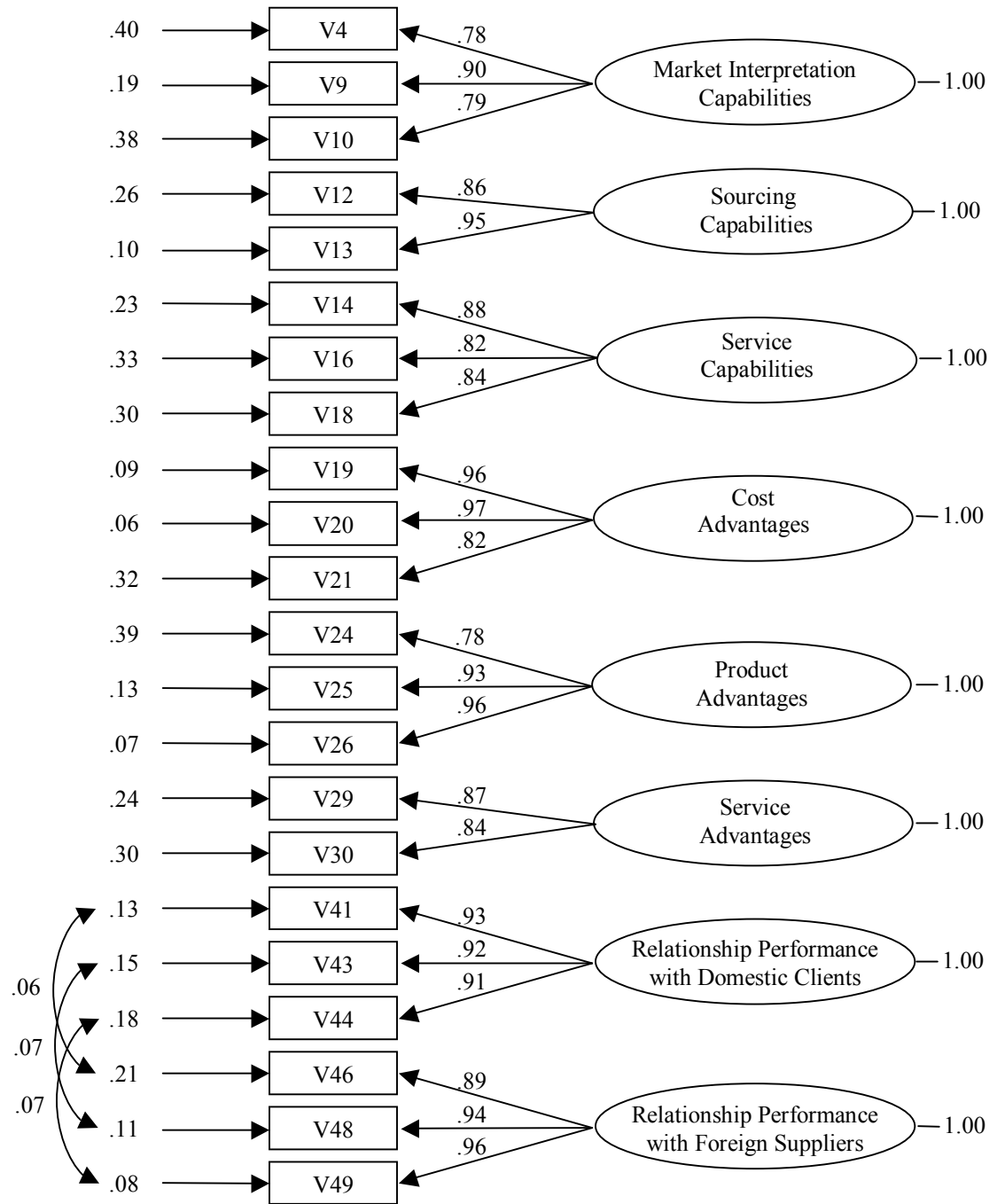
Inter-factor Correlations, Standard Errors, and *t*-Values in the Measurement Model

Construct	MIC ^a	SRC	SVC	CA	PA	SA	RPD	RPF
Market Interpretation Capabilities (MIC)	1.00							
Sourcing Capabilities (SRC)	.39 (.08)	1.00						
Service Capabilities (SVC)	.50 (.07)	.49 (.07)	1.00					
Cost Advantages (CA)	.45 (.07)	.59 (.06)	.56 (.06)	1.00				
Product Advantages (PA)	.67 (.05)	.47 (.07)	.69 (.05)	.47 (.06)	1.00			
Service Advantages (SA)	.78 (.05)	.35 (.08)	.81 (.04)	.51 (.07)	.78 (.04)	1.00		
Relationship Performance with Domestic Clients (RPD)	.37 (.08)	.32 (.08)	.72 (.05)	.51 (.06)	.66 (.05)	.66 (.06)	1.00	
Relationships Performance with Foreign Suppliers (RPF)	.28 (.08)	.68 (.05)	.43 (.07)	.44 (.07)	.47 (.07)	.40 (.08)	.63 (.05)	1.00

Note. All *t*-values are statistically significant at $p < .05$. N = 159.^aStandard error of the correlation is in parentheses.

Figure 5.1.

Measurement Model with Standardized Solutions



Note. Inter-factor correlations are displayed in Table 5.11. All parameter estimates are statistically significant at $p < .05$. $N=159$.

Measurement Model Evaluation

Problematic Estimates

The measurement model was evaluated as described in Chapter IV. There were no problematic (offending) estimates present, such as negative error variance, standardized coefficients exceeding or very close to 1.0, or very large standard errors with any estimated coefficients. Thus, it was considered appropriate to proceed with assessment of the overall model fit for the measurement model.

Overall Model Fit

An overall model fit was examined with multiple goodness-of-fit measures. Among absolute fit indices, the chi-square value of the measurement model was 448.00 with 178 degrees of freedom, sample size of 159, and p -value less than .000. Although the chi-square statistic alone showed that significant differences may exist, other absolute fit indices suggested otherwise. RMSEA had a value of .098, falling just under the upper acceptable threshold of .10. The GFI value of .80 was also marginally acceptable as no absolute threshold levels for acceptability have been established for this measure (Hair et al., 1998). Additionally, among incremental fit indices, NNFI had a value of .95 and the CFI value was .96, indicating an excellent fit of the overall model. Thus, a mix of the various fit indices supported that the model was at least marginally acceptable and was sufficient to proceed to the next stage of data analysis.

Measurement Model Fit

The measurement fit was evaluated by examining both the reliability and validity of the survey instrument. First, the composite reliability measures of all three explanatory variables and five outcome variables ranged from .844 to .951, all exceeding well above the acceptable threshold level of .60 (De Vellis, 1991). The results suggested that the observed variables of each construct were highly inter-correlated, measuring the same latent construct.

Second, convergent validity was assessed by examining the magnitude and sign of the factor loadings of observed variables onto the proposed latent (construct) variables. As seen in Table 5.9, all observed variables were statistically significant for the proposed constructs, given that all *t*-values of the factor loadings from unstandardized solutions were higher than 1.96, indicating statistical significance at a 95% confidence level. Additionally, all factor loadings showed positive signs, suggesting the positive relationships between the observed variables and their respective constructs. Consequently, the data supported the study's observed variables as effectively measuring the proposed constructs.

Third, discriminant validity was addressed by the correlation between each possible pair of constructs. All of the inter-factor correlation coefficients were less than the value of .80, except the correlation coefficient of .81 between the two constructs, AII's service capabilities and service advantages. However, the confidence interval of 2 standard errors around the correlation between these two constructs did not include 1.0. Thus, discriminant validity among the constructs in the model was considered to be

supported. Table 5.10 displays the inter-factor correlation coefficients, standard errors, and *t*-values, demonstrating discriminant validity of the study's measurement model.

Consequently, based on model fit, reliability, and validity assessment, the study's measurement model was concluded to be sufficiently adequate to move on to the next data analysis stage—structural model analysis.

Structural Model Analysis Results

Due to the exploratory nature of the study, the structural model was designed to investigate the interrelationships of all possible paths between (a) the three factors of competitive advantages and two factors of AIIs' performance and (b) the three factors of AIIs' capabilities and three factors of competitive advantages, resulting in a total of 15 paths. Table 5.11 shows the results of the study's structural model, including standardized parameter estimates, *t*-values from unstandardized solutions, significance levels for the structural paths, and overall goodness-of-fit indices. Figure 5.2 illustrates a path diagram of the study's structural model with standardized solutions.

Table 5.11.

Structural Model

Paths in the Structural Model	Standardized Parameter Estimates	<i>t</i> -Value ^a	Probability ^b ≤
Market Interpretation Capabilities → Cost Advantages	.11	1.41	.161
Market Interpretation Capabilities → Product Advantages	.40	4.95	.000
Market Interpretation Capabilities → Service Advantages	.51	6.73	.000
Sourcing Capabilities → Cost Advantages	.45	5.47	.000
Sourcing Capabilities → Product Advantages	.09	1.21	.228
Sourcing Capabilities → Service Advantages	-.24	-3.62	.000
Service Capabilities → Cost Advantages	.26	3.05	.003
Service Capabilities → Product Advantages	.45	5.39	.000
Service Capabilities → Service Advantages	.71	8.71	.000
Cost Advantages → Relationship Performance with Domestic Clients	.19	2.61	.010
Cost Advantages → Relationship Performance with Foreign Suppliers	.32	3.76	.000
Product Advantages → Relationship Performance with Domestic Clients	.30	2.68	.008
Product Advantages → Relationship Performance with Foreign Suppliers	.46	3.39	.001
Service Advantages → Relationship Performance with Domestic Clients	.34	2.82	.005
Service Advantages → Relationship Performance with Foreign Suppliers	-.17	-1.19	.236

Goodness-of-Fit Indices

 $\chi^2_{(d.f.184; N=159)} = 503.27, p < .000$

CFI = .95

NNFI = .94

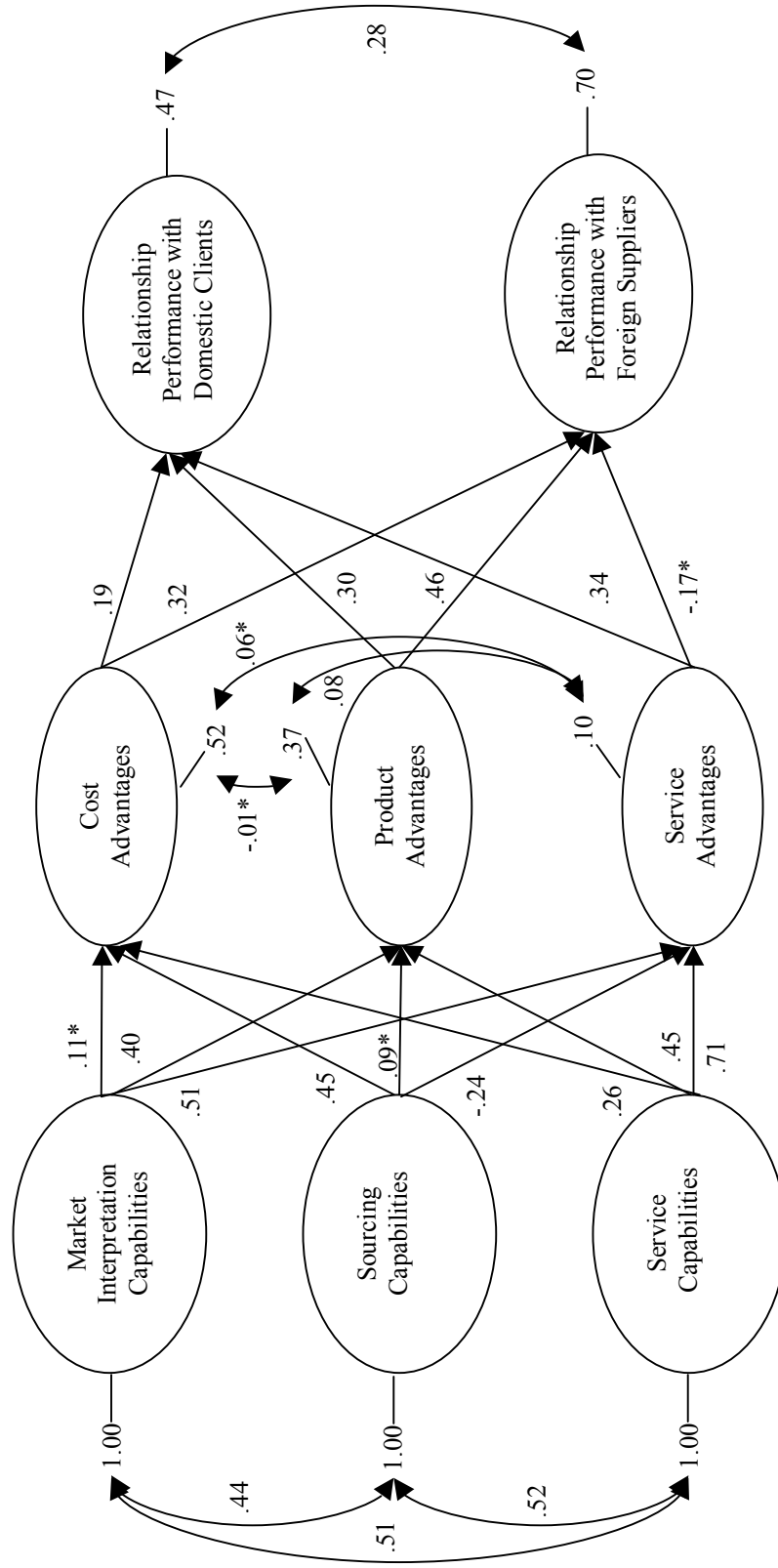
RMSEA = .105

GFI = .78

^aValues are from unstandardized solutions. ^b*p*-Values from two-tail *t*-test.

Figure 5.2.

Structural Model with Standardized Solutions



Note. * Indicates parameter estimate is not statistically significant at $p < .05$. N=159. All other indicators are statistically significant at $p < .05$. N=159.

Overall, various fit indices for the structural model suggested a marginally acceptable fit to the data. Among the absolute fit indices, the chi-square statistic of 503.27 (d.f. 184, $N=159$, $p\text{-value} < .000$) suggested that there might be significant differences, however, the RMSEA had a value of .105, just around the upper acceptable threshold of .10, and the GFI value of .78 showed a marginally acceptable fit. Among the incremental fit indices, the NNFI value was .94 and the CFI value was .95, indicating an excellent fit of the overall structural model.

Except for three paths, all remaining paths proposed in the theoretical model were statistically significant at $p < .05$. Three paths found not to be statistically significant were paths connecting market interpretation capabilities to cost advantages, sourcing capabilities to product advantages, and service advantages to relationship performance with foreign suppliers. After reviewing the relationships of the pairs of these factors, their non-significant results were not surprising. For example, AIIs' market interpretation capabilities seemed to be mainly concerned with their domestic target consumers, and thus, these capabilities would be least likely to affect their competitive advantages originating from the cost of raw material, production cost per unit, and cost of goods sold. Additionally, AIIs' capabilities to understand foreign suppliers' requirements and keep close foreign supplier relationships might not be directly related with their competitive advantages, coming from their design, styles, packaging, and even fashion-appealing products. Similarly, AIIs' competitive advantages achieved from technical support or after sales service for domestic clients might not be significantly associated with their relationship performance with foreign suppliers.

Except for two paths, all remaining paths proposed in the theoretical model were in the expected direction—positive. Two paths that demonstrated a negative direction were paths connecting sourcing capabilities to service advantages and service advantages to relationship performance with foreign suppliers. Although, the latter path was not statistically significant, the findings on these two paths suggested interesting relationships among AIIs' service capabilities, service advantages, and relationship performance with foreign suppliers. That is, AIIs' capabilities to maintain good relationships with foreign suppliers might negatively impact their positional advantages driven from their service efforts for domestic clients. Similarly, AII's better-than-competitors' service advantages appeared to be negatively associated with their relationship performance with foreign suppliers. Intuitively, a firm's capabilities to keep a good relationship with domestic clients seemed to counteract with its competitive advantages driven from their client service, and its effort to serve domestic clients effectively, in turn, might frustrate its effort to keep a healthy relationship with foreign suppliers.

In addition to direct relationships between explanatory variables (AIIs' capabilities) to intermediary outcome variables (competitive advantages), and between intermediary outcome variables and final outcome variables (AIIs' performance), Table 5.12 shows the standardized indirect effects of explanatory variables on the final performance outcome variables. Indirect effects are caused by compounding paths. Except the indirect effect of sourcing capabilities on relationship performance with domestic clients, all other indirect effects were statistically significant at $p < .05$. Except the indirect effect of service capabilities on relationship performance with foreign

suppliers, all other indirect effects were positive. These findings suggest that all of the three AIIIs' capabilities may have equally important indirect effects on relationship performance with domestic clients, while they may affect relationship performance with foreign suppliers differently. For example, AIIIs' sourcing capabilities had the largest indirect effect on relationship performance with foreign suppliers.

Table 5.12.

Standardized Indirect Effects of Explanatory Variables on Outcome Variables

Effects on Outcome Construct Variables	Explanatory Construct Variables		
	Market Interpretation Capabilities	Sourcing Capabilities	Service Capabilities
Relationship Performance with Domestic Clients	.32	.30*	.34
Relationship Performance with Foreign Suppliers	.13	.46	-.17

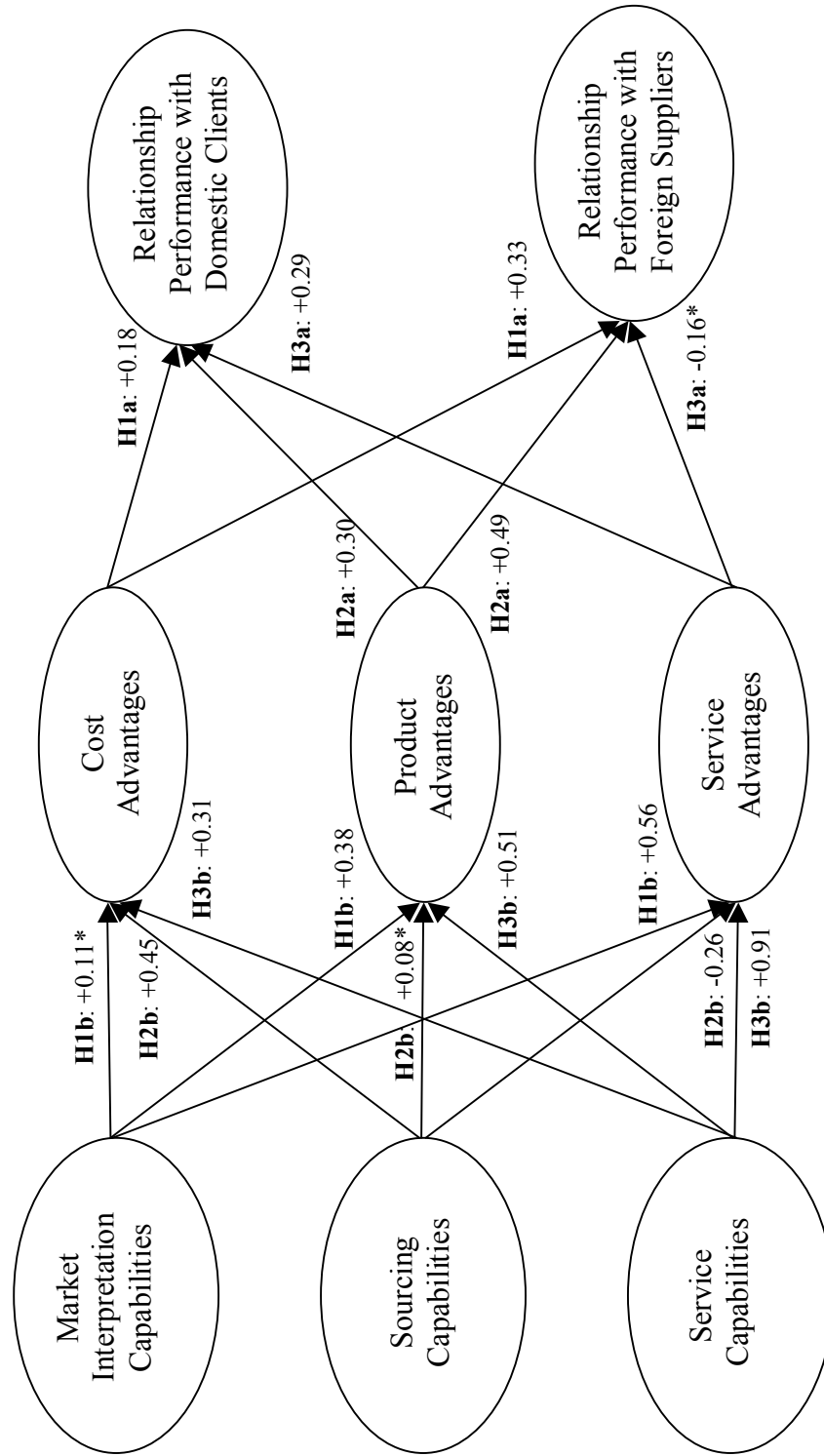
Note. * Indicates the effect was not statistically significant at $p < .05$. N=159.

Testing of Research Hypotheses

Based on the results of the structural model, most of the study's research hypotheses were supported. Figure 5.3 shows the study's structural model with unstandardized solutions and the research hypotheses. Each hypothesis is discussed in detail.

Figure 5.3.

Structural Model with Unstandardized Solutions and the Research Hypotheses



Note. * Indicates parameter estimate is not statistically significant at $p < .05$. N=159. All other parameters are statistically significant at $p < .05$. N=159

Hypotheses H1a and H1b

Hypothesis 1a (H1a), stating that AIIs' cost advantages positively impact their performance, was well supported. The results of H1a are shown in the paths from cost advantages to both relationship performance outcomes. The path to relationship performance with domestic clients (path coefficient = 0.18, t -value = 2.61) and to relationship performance with foreign suppliers (path coefficient = 0.33, t -value = 3.76) were statistically significant at $p < .05$ and both positive. Additionally, as per the path coefficients from the standardized solutions, cost advantages appeared to impact relationship performance with foreign suppliers (standardized path coefficient = .32) to a greater degree than domestic clients (standardized path coefficient = .19).

The positive relationships between AIIs' cost advantages and relationship performance were well expected. The effect size of cost advantages on each relationship performance construct, however, was somewhat surprising. One plausible explanation for this result is that AIIs' low cost of material, production, and goods sold may be important for domestic clients' satisfaction; however, AIIs' low cost also may represent efficient operating costs and an attractive margin structure, thus it may positively impact the relationship with foreign suppliers.

Hypothesis 1b, stating that AIIs' capabilities positively impact their cost advantages, was partially supported. The results of H1b were illustrated in the paths from the three AIIs' capabilities variables to the cost advantages outcome variable. The path from market interpretation capabilities was positive, however, not statistically significant at $p < .05$ (path coefficient = 0.11, t -value = 1.41). The paths from sourcing capabilities

(path coefficient = 0.45, t -value = 5.47) and from service capabilities (path coefficient = 0.31, t -value = 3.05) were statistically significant at $p < .05$ and both positive.

Additionally, as per the path coefficients from the standardized solutions, sourcing capabilities were the most influential factor on AIIs' cost advantages (standardized path coefficient = .45), followed by service capabilities (standardized path coefficient = .26) and market interpretation capabilities (standardized path coefficient = .11).

This finding was intuitively plausible. If AIIs have good relationships with foreign suppliers, they might tend to achieve more competitive positions among competitors. AIIs' efforts to serve domestic clients might also affect AIIs' operating cost, margin structure, and other related costs, resulting in more competitive cost advantages. However, AIIs' market interpretation capabilities might not significantly impact their cost advantages. Market interpretation capabilities tend to focus more on AIIs' market information, trends, and characteristics of end-users, rather than AIIs' cost issues.

Hypotheses 2a and 2b

Hypothesis 2a (H2a), stating that AIIs' product advantages positively impact their performance, was well supported. The results of H2a were found in the paths from product advantages to both relationship performance outcomes. The paths to relationship performance with domestic clients (path coefficient = 0.30, t -value = 2.68) and to relationship performance with foreign suppliers (path coefficient = 0.49, t -value = 3.39) were statistically significant at $p < .05$ and both positive. As per the path coefficients from the standardized solutions, product advantages seemed to impact relationship

performance with foreign suppliers (standardized path coefficient = .46) to a greater degree than domestic clients (standardized path coefficient = .30).

The positive relationships between AIIs' product advantages and relationship performance were expected as AIIs' good designs, styles, and fashion-appealing products would help both domestic clients and foreign suppliers' businesses. Domestic clients would be able to achieve more sales from well-designed and stylish products, while foreign suppliers may have access to advanced designs and more popular styles in the United States. The effect size of these relationships, however, was surprising in that the impact of product advantages was greater on relationship performance with foreign suppliers than that with domestic clients. This might be partially explained by the fact that domestic clients typically would have a wider range of other product suppliers, giving them more options of product choices and less dependency on AIIs' product offerings for their success. On the other hand, foreign suppliers might have relatively limited access to the U.S. domestic buyers and markets, giving them fewer options of product choices and more dependency on AIIs' product offerings for their success.

Hypothesis 2b, stating AIIs' capabilities positively impact their product advantages, was partially supported. The results of H2b were illustrated in the paths from the three AIIs' capabilities variables to the product advantages outcome variable. The paths from market interpretation capabilities (path coefficient = 0.38, t -value = 4.95) and from service capabilities (path coefficient = 0.51, t -value = 5.39) were statistically significant at $p < .05$ and both positive. The path from sourcing capabilities was positive, however, not statistically significant at $p < .05$ (path coefficient = 0.08, t -value = 1.21).

Additionally, as per the path coefficients from the standardized solutions, service and market interpretation capabilities were the most influential factors for AIIs' product advantages (standardized path coefficient = .45 and .40 respectively), while sourcing capabilities had little impact on AIIs' product advantages (standardized path coefficient = .09).

The findings were interesting in that AIIs' service capabilities represented by technical support and after sales service were as important as their capabilities to interpret market information to achieve better design, styles, and fashion appeal in their products. In other words, part of AIIs' successful product development seems to be supported by their unique ability both to interpret the trends for domestic clients and their experience and feedback from domestic clients after sales. Domestic clients' feedback on AIIs' past products, as well as current market trends, may be feeding into new product development in the future season.

Hypotheses 3a and 3b

Hypothesis 3a (H3a), stating that AIIs' service advantages positively impact their performance, was partially supported. The results of H2a were found in the paths from service advantages to both relationship performance outcomes. The path to relationship performance with domestic clients (path coefficient = 0.29, t -value = 2.82) was found statistically significant and positive, however, the path to relationship performance with foreign suppliers (path coefficient = -0.16, t -value = -1.19) was found to be negative and not statistically significant at $p < .05$. Furthermore, based on the path coefficients from the standardized solutions, service advantages appeared to have much larger impact on

relationship performance with domestic suppliers (standardized path coefficient = .34) than they do on relationship performance with foreign suppliers (standardized path coefficient = -.17).

The positive relationship between AIIs' service advantages and relationship performance with domestic clients was obvious. However, interestingly, AIIs' desire and efforts to serve domestic clients seemed to frustrate foreign suppliers' needs and business operations, resulting in poor relationship performance with foreign suppliers. Although the negative impact of AIIs' service capabilities on relationship performance with foreign suppliers were not shown to be statistically significant, it provided empirical support for AIIs' struggle between overwhelmingly powerful domestic clients and deadly competitive foreign supplier markets—reflecting one of the findings from the first phase qualitative interview studies.

Hypothesis 3b, stating that AIIs' capabilities positively impact their service advantages, was also partially supported. The results of H3b were illustrated in the paths from three AIIs' capabilities variables to the product advantages outcome variable. All of the three paths from market interpretation capabilities (path coefficient = 0.56, t -value = 6.73), from sourcing capabilities (path coefficient = -0.26, t -value = -3.62), and from service capabilities (path coefficient = 0.91, t -value = 8.71) were statistically significant at $p < .05$. Interestingly, only market interpretation and service capabilities had a positive affect on service advantages, and sourcing capabilities had a negative impact on service advantages. This negative effect of sourcing capabilities on service advantages suggested a similar interpretation of the relationship between service advantages and relationship

performance with foreign suppliers. In this study, AIIs' sourcing capabilities were manifested by the abilities of maintaining good relationships with foreign suppliers and accommodating their requirements. Thus, if an AII has a successful relationship with foreign suppliers, it might hinder the firm from achieving and providing better technical support or after sales service. That is because the AII firm might give too much time and attention to meeting foreign suppliers' requests rather than domestic clients' after service requests, such as faster delivery, higher quality, or even lower prices. Also, inherently, some of these requests may be counterproductive for the opposite partner.

In terms of the size of effect, service capabilities were the most influential factors for AIIs' service advantages (standardized path coefficient = .71) for obvious reasons. Particularly, market interpretation capabilities (standardized path coefficient = .51) were an important factor for AIIs' service advantages among competitors. That is partially because one of the goals of AIIs' market interpretation might be to provide the best market information to domestic clients, resulting in a superior degree of service advantages in the market. AIIs sourcing capabilities (standardized path coefficient = -.24) were the least critical successful service to domestic clients, but still important, suggesting that AIIs' service to domestic clients might be substantially dependent upon their foreign suppliers.

Summary of Hypotheses Tests

Table 5.13 shows the summary of the research hypotheses tests. Out of 15 possible paths, 11 paths were supported by the statistical analysis for both significance and the direction of the relationship. One path was supported for its path significance;

however, the direction was negative. The remaining two paths were not statistically supported for their significance.

Table 5.13.

Summary of Hypotheses Tests

Hypotheses	Results
H1a:	
Cost Advantages → Relationship Performance with Domestic Clients	Supported
Cost Advantages → Relationship Performance with Foreign Suppliers	Supported
H1b:	
Marketing Interpretation Capabilities → Cost Advantages	Not Supported
Marketing Interpretation Capabilities → Product Advantages	Supported
Marketing Interpretation Capabilities → Service Advantages	Supported
H2a:	
Product Advantages → Relationship Performance with Domestic Clients	Supported
Product Advantages → Relationship Performance with Foreign Suppliers	Supported
H2b:	
Sourcing Capabilities → Cost Advantages	Supported
Sourcing Capabilities → Product Advantages	Not Supported
Sourcing Capabilities → Service Advantages	Partially Supported
H3a:	
Service Advantages → Relationship Performance with Domestic Clients	Supported
Service Advantages → Relationship Performance with Foreign Suppliers	Not Supported
H3b:	
Service Capabilities → Cost Advantages	Supported
Service Capabilities → Product Advantages	Supported
Service Capabilities → Service Advantages	Supported

Post Hoc Model Modifications

In order to explain potential misfit in the structural model, two alternative models were examined based on the theory and the analysis results from the original research model. For alternative model 1, paths from the three explanatory variables to the two final performance outcome variables were added to explore the possibilities of any direct effects of AIIs' capabilities on AIIs' relationship performance. For alternative model 2, the three paths that were statistically non-significant from the original research model were removed. Table 5.14 shows the results of the alternative structural model 1. Table 5.15 displays the results of the alternative structural model 2.

Table 5.14.

Alternative Structural Model 1 (Adding Direct Paths from the Three Capabilities Variables to the Two Performance Outcomes Variables)

Paths in the Structural Model	Standardized Parameter Estimates	<i>t</i> -Value ^a	Probability ^b ≤
Market Interpretation Capabilities → Cost Advantages	.15	1.86	.065
Market Interpretation Capabilities → Product Advantages	.41	5.10	.000
Market Interpretation Capabilities → Service Advantages	.53	6.90	.000
Sourcing Capabilities → Cost Advantages	.39	4.85	.000
Sourcing Capabilities → Product Advantages	.10	1.38	.170
Sourcing Capabilities → Service Advantages	-.17	-2.58	.011
Service Capabilities → Cost Advantages	.29	3.32	.001
Service Capabilities → Product Advantages	.44	5.31	.000
Service Capabilities → Service Advantages	.62	7.94	.000
Cost Advantages → Relationship Performance with Domestic Clients	.23	2.86	.005
Cost Advantages → Relationship Performance with Foreign Suppliers	.00	-0.03	.976
Product Advantages → Relationship Performance with Domestic Clients	.41	3.68	.000
Product Advantages → Relationship Performance with Foreign Suppliers	.15	1.16	.248
Service Advantages → Relationship Performance with Domestic Clients	.24	0.87	.386
Service Advantages → Relationship Performance with Foreign Suppliers	.64	1.81	.072
Market Interpretation Capabilities → Relationship Performance with Domestic Clients	-.31	-1.91	.058
Market Interpretation Capabilities → Relationship Performance with foreign suppliers	-.43	-2.15	.033

(table continues)

Table 5.14.(continued)

Paths in the Structural Model	Standardized Parameter Estimates	<i>t</i> -Value ^a	Probability ^b ≤
Sourcing Capabilities → Relationship Performance with Domestic Clients	-.14	-1.42	.158
Sourcing Capabilities → Relationship Performance with foreign suppliers	.72	5.66	.000
Service Capabilities → Relationship Performance with Domestic Clients	.34	1.83	.069
Service Capabilities → Relationship Performance with foreign suppliers	-.32	-1.40	.163
Goodness-of-Fit Indices $\chi^2_{(d.f.178; n=159)} = 448.00, p < .000$ CFI = .96 NNFI = .95 RMSEA = .098 GFI = .80			

^aValues are from unstandardized solutions. ^b*p*-Values from two-tail *t*-test.

Table 5.15.

Alternative Structural Model 2 (Deleting the Three Statistically Non-significant Paths from the Original Structural Model)

Paths in the Structural Model	Standardized Parameter Estimates	<i>t</i> -Value ^a	Probability ^b ≤
Market Interpretation Capabilities → Product Advantages	.42	5.21	.000
Market Interpretation Capabilities → Service Advantages	.50	6.62	.000
Sourcing Capabilities → Cost Advantages	.47	5.76	.000
Sourcing Capabilities → Service Advantages	-.24	-3.80	.000
Service Capabilities → Cost Advantages	.31	3.88	.000
Service Capabilities → Product Advantages	.49	6.08	.000
Service Capabilities → Service Advantages	.71	8.76	.000
Cost Advantages → Relationship Performance with Domestic Clients	.19	2.67	.008
Cost Advantages → Relationship Performance with Foreign Suppliers	.30	3.71	.000
Product Advantages → Relationship Performance with Domestic Clients	.28	2.63	.009
Product Advantages → Relationship Performance with Foreign Suppliers	.33	4.01	.000
Service Advantages → Relationship Performance with Domestic Clients	.37	3.45	.001
Goodness-of-Fit Indices			
$\chi^2_{(d.f.187; n=159)} = 501.97, p < .000$			
CFI = .95			
NNFI = .94			
RMSEA = .103			
GFI = .78			

^aValues are from unstandardized solutions. ^b*p*-Values from two-tail *t*-test.

In alternative model 1, six additional paths from the three capability variables to the two relationship performance variables were added. This model was to investigate possible direct effects from AIIs' capabilities to relationship performance. An overall fit of this model was slightly improved ($\chi^2 = 448.00$, d.f. 178, $N=159$, $p\text{-value} < .000$, RMSEA = .098, GFI = .80, NNFI = .95, and CFI = .96), however, four path coefficients were not statistically significant even at $p < .10$. Particularly, 3 out of 6 newly added paths were not statistically significant at $p < .05$ and 2 out of 6 new paths were not statistically significant even at $p < .10$. Furthermore, 4 out of 6 newly added paths were in the negative direction. This result suggested that service capabilities, overall, had no statistically significant direct effect on either of the relationship performance variables. Although there appeared to be statistically significant effects between market interpretation capabilities and both of the relationship performance variables, the relationships were in the negative direction, conflicting with theoretical explanations. However, there did seem to be a possible direct relationship between sourcing capabilities and relationship performance with foreign suppliers, suggesting new future research possibilities.

In alternative model 2, three paths that were statistically non-significant from the original structural model were deleted. Although all the path coefficients were now statistically significant, there were practically no changes made in an overall fit of the alternative model from the original structural model ($\chi^2 = 501.97$, d.f. 187, $N=159$, $p\text{-value} < .000$, RMSEA = .103, GFI = .78, NNFI = .94, and CFI = .95). No other substantial changes were detected.

In sum, the results of post hoc modifications suggested that the original structural model based on theory that emphasized the role of competitive advantages between firms' resources and performance was more appropriate in explaining the study's topic. Particularly, this study was an exploratory attempt to gain an understanding of the relationships among AII's capabilities, competitive advantages, and performance. Thus, despite three statistically non-significant paths, the original model was deemed to produce sufficient and meaningful knowledge of AII's capabilities, competitive advantages, and performance.

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CHAPTER VI

CONCLUSIONS

Chapter VI presents the following sections: (a) Summary of the Study, (b) Research Contributions and Implications, (c) Study Limitations, and (d) Future Research.

Summary of the Study

Structural changes in the global apparel industry have led to a new market environment in which a segment of the apparel channel members (specifically, apparel import intermediaries or AIIs) have had to assume new responsibilities and to take different approaches to their functional activities. The purpose of this study was to investigate the basic nature of these firms' business operations, that is, the relationships among firm capabilities, competitive advantages, and performance, in the hyper-dynamic market environment of the apparel industry. In order to do so, this study (a) developed an integrative model of AIIs' capabilities, competitive advantages, and performance; and (b) conducted an empirical assessment of the model using survey methodology.

Overall, the study's hypotheses were well supported. Reflecting general thought in the management literature, the structural model suggested that competitive advantages would be the direct antecedents of AIIs' performance, while AIIs' functional capabilities would affect AII performance indirectly. As the direct antecedents of AIIs' performance, 5 out of 6 paths (from the three competitive advantages to the two performance measures) were found to be statistically significant in the positive direction, as predicted. Service

advantages demonstrated the largest effect on relationship performance with domestic clients, followed by product and cost advantages. Product advantages showed the largest impact on relationship performance with foreign suppliers, followed by cost advantages. Service advantages, however, did not have a statistically significant effect on relationship performance with foreign suppliers.

As the indirect antecedents of AIIs' performance, 7 out of 9 paths (from AIIs' three functional capabilities to their three competitive advantages) were also found to be statistically significant. Sourcing capabilities exhibited the largest positive effect on cost advantages, followed by market interpretation capabilities. Service capabilities had the largest positive impact on both product and service advantages, followed by market interpretation capabilities. Market interpretation capabilities and sourcing capabilities, however, were not found to have statistically significant effects on cost advantages and product advantages, respectively. Interestingly, all of these indirect antecedent paths were positive as hypothesized, with the exception of the path from sourcing capabilities to service advantages which was negative, suggesting conflicting requests from AIIs' domestic and foreign business partners and a consequent struggle to manage these conflicting requests.

Research Contributions and Implications

This study made several important contributions to the body of knowledge in firm research and research on the apparel industry. This section discusses the study's contributions and implications from the perspectives of theory development, business operations, industry issues, academic research, and education.

Theoretical Contributions and Implications

From a theoretical perspective, the study's findings empirically supported the resource-advantage theory of competition used to frame the study. As R-A theory predicted, AIIs' competitive advantages were shown to be the direct antecedents of performance, and AIIs' capabilities were found to be the indirect antecedents of AIIs' performance. Most of the AIIs' competitive advantages appeared to have important positive impact on their performance, and these advantages seemed to be achieved from AIIs' critical resources. In addition, the study's findings were consistent with the firm capability literature as they showed that firms' capabilities were indeed important firm resources, positively and significantly impacting firms' competitive advantages.

In addition to empirical support for extant theory, the study's results of the negative relationship between (a) AIIs' service efforts for domestic clients and their relationship with foreign suppliers and (b) AIIs' sourcing capabilities and their service efforts for domestic clients particularly suggested a need for a new or expanded theory that can explain the process of competition for intermediary firms in a global economy. Extant theories of firm competition, in general, have been based on a single business relationship—typically between one seller and its buyers. However, when a firm deals

simultaneously with two equally important business partners—both buyers and suppliers—the process of competition becomes more complicated. For example, specific strategies that are effective for a firm’s buyers may not be simultaneously effective for its suppliers and may even create significant power conflicts among the three business partners. When a firm operates in the global market, building and maintaining its business partnerships across borders presents more complex operation issues. In this context, current theories of firm competition based on a single business partnership may not be able to explain the whole process of intermediary firms’ competition successfully. By showing possible negative relationships among sourcing capabilities, service advantages, and relationship performance with foreign suppliers, this study’s results supported the inadequacy of extant theory in explaining the process of AIIs’ competition and suggested the need for a new or expanded theory.

Business Contributions and Implications

From the perspective of AIIs’ business strategies, the study’s findings provided important insights into AIIs’ success factors which may assist AII firms with practical business solutions. The study’s model confirmed that AIIs need to develop critical capabilities that will lead to competitive advantages, which, in turn, lead to superior firm performance. The study’s results showed that, in order to succeed, AIIs need the superior capabilities of market interpretation, sourcing, and service. For example, market interpretation capabilities, such as interpreting trends for the end user, monitoring import market information, and interpreting market information based on “on-the-floor” experience, help to achieve both better product and service advantages. Results indicated

that among these three market interpretation capabilities, AIIIs may want to put particular emphasis on monitoring import market information. Sourcing capabilities, such as understanding foreign suppliers' requirements and establishing/maintaining close relationships with foreign suppliers, helped to achieve superior cost advantages. Of these two sourcing capabilities, understanding foreign suppliers' requirements appeared to have a larger impact. Service capabilities, such as establishing/maintaining close relationships with domestic clients, achieving/maintaining prompt response to domestic clients' orders, and developing a long-term domestic client service relationship, helped to achieve all of the three competitive advantages of cost, product, and service. Results indicated that all three service capabilities were essentially equally important.

The study's firm capabilities were important in that they impacted firm competitive advantages directly. This suggested that once AIIIs have attained the capabilities of market interpretation, sourcing, and service, then they are in the process of developing the competitive advantages of cost, product, and service, which have a direct impact on firm performance. However, the results indicated that competitive advantages may not impact performance in the same ways. Cost advantages, such as superior cost of raw materials, production cost per unit, and cost of goods sold, helped to achieve better relationship performance with both business partners. Results indicated that among these three cost advantages, AIIIs may want to put special focus on attaining competitive cost of raw materials and production cost per unit. Product advantages, such as attractive packaging, competitive design/styles, and strong fashion appeal, also helped to achieve better relationship performance with both business partners. Results indicated that among

these three product advantages, strong fashion appeal showed the largest impact. Service advantages, such as exceptional technical support and after sales service, helped to achieve better relationship performance with domestic clients; however, service advantages seemed to have little impact on relationship performance with foreign suppliers. Results indicated that both technical support and after sales service had virtually equal importance for AIIs' relationship performance with domestic clients.

In sum, the study findings suggested that AIIs' cost advantages achieved from superior sourcing capabilities had a larger positive impact on relationship performance with foreign suppliers than on relationship performance with domestic clients. AIIs' product advantages achieved from superior service and market interpretation capabilities had a larger positive impact on relationship performance with foreign suppliers than on relationship performance with domestic clients. AIIs' service advantages achieved from superior service capabilities had a larger positive impact on relationship performance with domestic clients than on relationship performance with foreign suppliers. These results have important strategic implications for AIIs' business operations as they may help AII managers review their resource allocations and their competitive advantage mix to determine the goals of performance and suggest an optimum strategy mix to achieve those specific goals.

Industry Contributions and Implications

From the perspective of industry analysis and research, this study has drawn needed attention to the AII business segment, including issues related to the definition of AIIs, industry identity, and AIIs' business characteristics. First, the study offered an

accurate and clear description of AIIs that reflects the reality of today's markets. Using this description to define AIIs correctly is critical in a number of ways. Under the current U.S. government business classification system, it is extremely difficult to isolate business transactions made by AIIs, making accurate tracking of business transactions in the U.S. apparel industry in recent decades very difficult. This inaccuracy could be corrected. If more accurate data were available, it would be possible to identify this important segment of apparel supply chain members, to track their business activities, to calculate their economic impact, and to identify any shifts that occur in the global apparel industry. Furthermore, a correct definition of AIIs may provide the basis for industry cooperation among these firms, such as forming AII trade associations, as well as illuminating employment possibilities that may currently be unrecognized by many people in the workforce.

In addition to the correct definition of AIIs, the study provided empirical support for the issue of an AII identity crisis that emerged from the first phase qualitative interview studies. This nation-wide survey study showed that 49.1% of the survey respondents considered themselves to be apparel manufacturers or other business types, despite clearly fitting into the U.S. government's business classification system descriptions of wholesalers. This finding confirmed that there is an identity crisis among the AII firms themselves. From a policy-makers' point of view, an AII identity crisis means that there most likely is substantial misreporting of business census data. Given that business census data are the basic measure for any type of industry analysis, the study's findings suggest that there is an urgent need for clarification and corrective

actions. From an apparel researchers' viewpoint, the AIIs' identity crisis issue points out the importance of in-depth knowledge of both academic research and the current reality of the marketplace. When research activities are limited and contained within an abstract and theoretical realm, real-world phenomena may be overlooked or misrepresented, causing a critical gap in our understanding of reality and limiting our ability to generate relevant knowledge.

Supporting the importance of correctly defining AIIs, the study also offered a descriptive profile of U.S. AIIs, including a variety of business characteristics. For example, the study showed that most U.S. AIIs imported over 90% of their products (84.9% of the survey respondents) and have been engaged in import operations for fewer than 30 years (80.6% of the survey respondents), suggesting that many U.S. AIIs are relatively young firms. In terms of AIIs business partners, three fourths of U.S. AIIs imported from fewer than nine different foreign countries (74.2% of the survey respondents) with fewer than four suppliers per country (76.7% of the survey respondents) on average. On the domestic side, a little over two thirds of U.S. AIIs sold products to at least 10 different domestic clients on average with some selling to over 25 (68.5% of the survey respondents). In terms of firm sizes, almost half of U.S. AIIs had fewer than 50 employees (50.3% of the survey respondents) with some portion of overseas staffing (52.2% of the survey respondents), and their annual sales figures were less than 50 million U.S. dollars (50.9% of the survey respondents). Additionally, while U.S. AIIs sold various types of products, the largest portion of them engaged in selling women's wear (40.9% of the survey respondents). This descriptive information on U.S.

AIIs is particularly important because there has been little information available in either the business literature or the academic literature on their business characteristics prior to this study.

By correctly defining AIIs, highlighting the issue of AIIs' identity, and providing newly available information on AIIs' business characteristics, this study has helped to get closer to the reality of industry phenomena as they occur within the U.S. apparel industry, as well as to understand changes in the global apparel industry in a more realistic and practical manner.

Academic Contributions and Implications

Academic Research

The first contribution of this study from an academic research perspective is that the study confirmed the unique environment of the apparel industry, specifically the U.S. apparel industry, and emphasized that great care should be taken in adapting extant scales developed in other industries or even in other disciplines. In this study, the context and business environment of the apparel industry differed so much that the simple term, "new product" did not appear to share the same meaning with other industries. For example, for the non-apparel industry research, new product could mean a brand new product that never existed before, while for apparel industry research, new product generally means new silhouettes, new textile patterns, or even new colors of an existing product. Because of issues such as this, extant scales of product development in the export performance literature did not successfully capture AIIs' product development or design capabilities.

Instead, some of the survey items that were added based on the first phase qualitative interview studies emerged as more significant and meaningful in the AII context. Items such as “our firm’s capabilities to interpret trends to satisfy end-user customers are...,” “our firm’s capabilities to interpret market information through personal ‘on-the-floor’ experience are...,” or “our firm’s capabilities to develop a long-term domestic client service relationship are...” were found to be statistically significant measurement items for AIIs’ capabilities. Moreover, the item, “our firm’s products, in terms of fashion appeal, are...” was shown to be more reliable for the product advantages construct than the item, “our firm’s product quality is...” It is possible that the respondents interpreted the term, fashion appeal, as product quality. Consequently, because of the unique environment of the apparel industry and the different contexts that apparel firms face, the study suggested that new context-specific scale development should be explored in order to understand AIIs’ business operations correctly and help their businesses with important and meaningful strategic recommendations.

The second contribution to academic research is that the study empirically supported that firms’ relationship performance measures can be successful indicators of their economic and non-economic strategic performance in the AII setting. Despite the fact that the business literature has strongly and consistently shown three unique measures of firm performance—economic, non-economic strategic, and relationship performance—the study model did not recognize economic and non-economic measures as discrete measures. Instead, economic and non-economic strategic performance measures merged into a single measure, the relationship performance with domestic

clients. This finding suggested that if a firm has a good relationship with domestic clients, it tends to have both better economic and strategic performance. Firms' relationship performance typically requires a longer time to achieve than short-term economic performance and, thus, if the purpose of research is to measure the degree of firm success in the long term and the major firm operations rely strongly on business partnerships, researchers might want to consider relationship performance as a more effective outcome measure than any other firm performance measure.

Education

From the perspective of teaching and higher education, the study offered explicit information about AIIs' critical capabilities, competitive advantages, and performance for apparel educators. For example, unlike a typical approach to firms' sourcing activities that is centered on low cost, the study's findings suggested that the apparel industry may have a greater need for relationship building and management skills with foreign business partners. Given that building and managing business relationships with firms from different political, economic, and cultural backgrounds can be extremely challenging and may take some time, it may be necessary for apparel academics to consider special curriculum or course content to address this particular need of the apparel industry. Additionally, as seen in the relationship between competitive advantages and performance, service advantages played a dominant role in relationships with domestic clients. Educators may want to emphasize service quality, after sales service, and long-term service relationships in apparel marketing by adding a course on the service environment and/or on service quality. The study also stressed that market interpretation

capabilities can be acquired through personal immersion in the industry or an intuitive understanding of the market. Thus, more extensive field trips, internships, and other forms of direct experiential learning might be helpful for students. Finally, apparel educators may want to take different approaches to the success of firms' various activities. In helping students to prepare for employment, it may be important to emphasize that the goals of better margin and bigger sales are not always the most effective or only goals for apparel firms, particularly AIIIs. Keeping business partners impressed with the firm's service quality, building reputation in the market, and providing impressive products and services could be equally important goals—given that economic and other strategic rewards may follow the firm's relationship rewards. All of these findings can be important guidelines to accomplish the mission of higher education successfully — preparing the future workforce for industry needs.

Study Limitations

As with all research, this study has limitations. First, despite personal visits and follow-up phone calls and emails, the study's sample size was a concern, particularly when using the structural equation modeling technique. In general, SEM requires a large sample size, and some fit indices are highly dependent on substantial sample size. Thus, caution is indicated in interpreting the study results. Second, although the study achieved an effective response rate of 21.6%, approximately the average business survey response rate of 21% [in selected business journals published since 1990], non-response bias must be considered (Paxson, 1992, as cited in Dillman, 2000). The study showed that there was no statistically significant non-response bias; however, true non-response bias can never

be eliminated unless 100% participation is attained. Similarly, even though the statistical analysis supported that there were no statistically significant measurement differences from the different modes of survey follow up used in the study, true measurement differences cannot be known in reality.

Third, location bias should be considered. The study found a geographic concentration—89.7%—of AIIs in the states of New York, California, and New Jersey. The initial sample frame generated from ReferenceUSA under NAICS codes 315, 42432, and 42433 had the largest portion of firms—82.7%—from the state of New York. It may be true that most AIIs are operating in New York, particularly New York City; however, there may have been other factors impacting the geographic distribution of the study's sample. Fourth, the majority of the survey items was adapted from the export performance literature due to a lack of extant scales in the intermediary, import, and even apparel literature. Not surprisingly, many items did not perform well in the AII setting, causing high cross-loadings, low loadings on the intended factors, or low reliabilities. Although the study was able to provide a relatively good fit for the measurement and structural models, the effect of dropped items during exploratory factor analysis and reliability analysis must be considered.

Finally, as most research does, with the exception of some longitudinal studies, the survey approach used in this research offers only time-, context-, and situation-specific understanding of the relationship among AIIs' capabilities, competitive advantages, and performance. Care should be taken when applying the study's results to a larger population for the long term.

Future Research

This study provides numerous future research possibilities. Most importantly, the study emphasized a pressing need for development of appropriate measurement scales to research AIIs' business operations. No usable measurement scales were found in the literature for AIIs' design capabilities. Although the study's scales for AIIs' capabilities, competitive advantages, and performance were successfully adapted from the management literature and offered some level of understanding about business operations, these scales need to be refined and expanded to increase scale reliability and validity. Furthermore, new scales could be developed that reflect the unique and dynamic apparel market environment and would capture the common contexts of apparel firms' business practices. Accurate, reliable, and meaningful measurement scales would allow research on AII firm strategies to advance more successfully.

Second, while this study specifically employed functional capabilities as AIIs' critical resources, there may be other resources that are vital for their performance. For example, the role of different firm resources, such as financial resources, human resources, or historical resources, on firm performance has not yet been discussed in the AIIs' setting. This needs special attention. In addition to cost, product, and service advantages, other sources of AIIs' competitive advantages should also be explored. The different dimensions of AIIs' competitive advantages, such as relationship advantages, brand-name advantages, or geographic/location advantages, might be important direct antecedents of firm performance. Further investigation is necessary.

Third, once good measurement scales have been established and validated within the U.S. AII setting, longitudinal and cross-cultural studies would be an appropriate next step in developing research in this area. Just as the apparel market environment has changed so much and so fast in recent decades, there is no doubt that it will make tremendous and constant changes going forward. Longitudinal studies on AIIs would help to keep abreast of the changes, monitor industry trends, and offer timely and practical recommendations on AIIs' business practices. Just as AIIs exist in the U.S. apparel industry, it is reasonable to assume that they have counterparts in other developed countries. It is likely that cross-cultural studies on AIIs would be of great interest to firms that deal with clients from other developed countries. The findings of both longitudinal and cross-cultural studies would help to establish whether these scales were generalizable for different times and cultural settings.

Finally, the results of a systematic range of studies on AIIs' capabilities, competitive advantages, and performance, including scale development, longitudinal, and cross-cultural research may, ultimately, guide the development of a new or expanded theory of AII firm operations and competition, helping us to understand better how AIIs compete and succeed. If this were accomplished, it would significantly advance the knowledge base of both the firm and apparel research areas.

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APPENDIX A

QUALITATIVE INTERVIEW EXPERT INFORMANTS

Demographic Information of Expert Informants in Qualitative Interviews

Expert Informants ^a	Title	Total Years in the Industry	Main Products	Gross Sales of Firms (U.S. \$)	Self-rated Firm Performance ^b
BA	President	28	Consulting Service	No Reply	No Reply
AB	Vice President National Accounts	30	Uniforms/ Corporate Apparel	No Reply	7
KL	Director of Marketing & P.R.	7	Children's Apparel	No Reply	7
CR	President	21	Ladies & Juniors Apparel & Accessories	40 Million	8
JB	CEO	30	Sleepwear	Over 100 Million	8
AR	Product Development/Sales	15	Ladies' Underwear	No Reply	10
BW	Marketing Manager	20	Ladies' Apparel	No Reply	5
NW	President	25	Ladies' Underwear	7 Million	6
PA	President	33	Ladies' Lingerie	41 Million	7
BG	Sales Manager	40	Ladies' Lingerie	80 Million	8
HH	Vice President of Merchandising	15	Ladies Underwear	No Reply	7
KM	President	20	Men's Apparel	2.5 Million	5
ER	Sourcing Specialist	12	Children's Apparel	No Reply	8

^a Reference to each expert informant is indicated by initials of a pseudo name. ^b From 1 to 10, 10 is the best.

APPENDIX B

QUALITATIVE INTERVIEW SCHEDULE

1. How long have you been with this company?
 - Please describe your current title and years in this position.
 - Please describe a position before the current title, if any.
2. Please give a brief history of your company.
 - How and when was your company founded?
 - How would you describe the growth path that your company has followed since its foundation?
3. What is your understanding of your company's roles in today's apparel industry?
 - Who, or what type of companies are your major clients?
 - What types of works or services does your company provide to your clients?
 - How does your company help your clients?
 - Is there anything else that your clients ask you to do other than what your company is currently doing? How do you feel about those requests?
 - Who, or what type of companies are your major suppliers?
 - What types of works or services does your company receive from your suppliers?
 - How do your suppliers help your companies?
 - What are the most challenging factors in selecting good suppliers?
 - Is there anything else that you would like your suppliers to do for your company? Do you think they can satisfy your requests?
 - What types of works or services does your company provide to your suppliers?
 - How does your company help your suppliers?
 - Is there anything else that your suppliers ask you to do other than what your company is currently doing? How do you feel about those requests?
4. Are there any differences or changes in terms of your company's functions since its birth?
5. How would you rate your company's current performance relative to its competitors?
6. Please name three or four strong points that your company has, relative to its major competitors. What are your company's unique strengths that a competitor would find it hard to imitate? [Probe for details]
7. How was your company able to obtain or build those strengths?
8. Please name three areas which you would like to enhance within your company? [Probe for details]

9. Why are those points important for your company?
10. If you can trade the best top 10 talents among your competitors to enhance three areas that you just mentioned before, would you do it?
 - Then, what would those be?
 - If not, why do you not want to trade them?
11. Some people say that the apparel industry in the US is declining. How do you see the future of your company?
12. What are three things that will guarantee to succeed in the apparel import industry? [probe for details]
13. What are three things that will guarantee to fail in today's apparel import industry? [Probe for details]
14. What is your company's goal or vision for the future?
15. If you have to pick the classification of your company between the apparel wholesale trade and the apparel manufacturing, what would you pick?
16. Are there any thoughts or opinions you would like to share?

APPENDIX C

DEMOGRAPHIC QUESTIONNAIRE FOR QUALITATIVE INTERVIEWS

Demographic Questionnaire for Interviews

Name: _____ Date: _____

Title: _____

Company Name: _____

Sole Proprietorship_____ Partnership_____ Corporation_____

Years with this Company: _____

Gross Sales in last year:

(Optional)

Main Products that your company is providing:

Country of Origin of your company's products:

Domestic_____ Foreign_____
(if both, please indicate the estimated percentage of each.)

For foreign products, please name three countries of your biggest suppliers.

What are your company's goals in next three years?

How would you rate the performance of your company in the last five years? Please circle the appropriate number on a scale of 1 to 10 with 1 being unsuccessful and 10 being successful.

Unsuccessful 1 2 3 4 5 6 7 8 9 10 Successful

Any other comments:

APPENDIX D

SURVEY QUESTIONNAIRE

A SURVEY OF U.S. APPAREL COMPANIES

This survey is being conducted by Jung E. Ha-Brookshire, a Ph.D. candidate in the Department of Consumer, Apparel, and Retail studies at the University of North Carolina at Greensboro. Your response will be used to assess business operations of apparel (or other related goods) firms that are conducting design, marketing, sourcing, or importing their products to make sales to their domestic retailer or wholesaler clients. You have been selected to participate in this study as we believe that you can provide expert opinions and views of apparel firms' operations and performance over the past three to five years. If you are not sure of an answer to a question, please provide your best estimate.

Please respond to all questions, as incomplete questionnaires create serious problems in data analysis. Please return your completed questionnaire either in the enclosed self-addressed, post prepaid envelope or by e-mail at your earliest convenience. The researcher would be happy to share with you **a detailed executive summary of the aggregate results of the study, including relevant and applicable information that may help you with practical business problems, at no cost.** If you wish to receive a copy of the results of the study, please provide a copy of your business card a long with your completed questionnaire or provide detailed contact information at the end of the survey.

The quality of this research is highly dependent on your participation. I sincerely appreciate your participation and time!



Jung E. Ha-Brookshire, Ph.D. Candidate (j_ha@uncg.edu)
Department of Consumer, Apparel, and Retail Studies
School of Human Environmental Sciences
University of North Carolina at Greensboro

While answering the following questionnaire, please keep in mind apparel firms/divisions that import their products to satisfy their *domestic clients* (such as retailers or other apparel firms) and *foreign suppliers* (such as factories or distributors).

PART I. Firm Abilities

1. Please think about your main competitors and indicate how you rate your firm's/division's abilities on a scale of 1 to 7, where 1 is much worse and 7 is much better. (Circle one number for each statement.)

	<u>Much worse</u>	<u>Much better</u>
<u>Our firm's or division's ability to...</u>		
a) develop new products for our domestic clients is.....	1	2 3 4 5 6 7
b) build the product to designated or revised specifications is.	1	2 3 4 5 6 7
c) utilize new methods and ideas in the manufacturing process is.....	1	2 3 4 5 6 7
d) interpret trends to satisfy our end-user customers is.....	1	2 3 4 5 6 7
e) identify prospective domestic clients is.....	1	2 3 4 5 6 7
f) capture important market information is.....	1	2 3 4 5 6 7
g) acquire import market-related information is.....	1	2 3 4 5 6 7
h) make contacts in the import market is.....	1	2 3 4 5 6 7
i) monitor competitive products in the import market is.....	1	2 3 4 5 6 7
j) interpret market information through personal "on the floor" experience is.....	1	2 3 4 5 6 7
k) understand domestic clients' requirements is.....	1	2 3 4 5 6 7
l) understand foreign suppliers' requirements is.....	1	2 3 4 5 6 7
m) establish and maintain close foreign supplier relationships is.....	1	2 3 4 5 6 7
n) establish and maintain close domestic client relationships is.....	1	2 3 4 5 6 7
o) achieve and maintain on-time product delivery is.....	1	2 3 4 5 6 7

	<u>Much worse</u>	<u>Much better</u>
<u>Our firm's or division's ability to...</u>		
p) achieve and maintain prompt response to domestic clients' orders is.....	1 2 3 4 5 6 7	
q) offer extensive 24/7 domestic client service is	1 2 3 4 5 6 7	
r) develop a long-term domestic client service relationship is	1 2 3 4 5 6 7	

PART II. Competitive Advantages

2. Please think about your main competitors and indicate what you feel to be your firm's/division's competitive advantage in the following statements on a scale of 1 to 7, where 1 is much worse and 7 is much better. (Circle one number for each statement.)

	<u>Much worse</u>	<u>Much better</u>
<u>Our firm's or division's...</u>		
a) cost of raw materials is.....	1 2 3 4 5 6 7	
b) production cost per unit is.....	1 2 3 4 5 6 7	
c) cost of goods sold is.....	1 2 3 4 5 6 7	
d) selling price to domestic clients is.....	1 2 3 4 5 6 7	
e) product quality is.....	1 2 3 4 5 6 7	
f) packaging is.....	1 2 3 4 5 6 7	
g) design and styles are.....	1 2 3 4 5 6 7	
h) products, in terms of fashion appeal, are.....	1 2 3 4 5 6 7	
i) established import connections to provide effective product accessibility is.....	1 2 3 4 5 6 7	
j) established import connections to provide a wide range of product accessibility are.....	1 2 3 4 5 6 7	
k) technical support for domestic clients is.....	1 2 3 4 5 6 7	
l) after sales service for domestic clients is.....	1 2 3 4 5 6 7	

		<u>Much</u> <u>Worse</u>						<u>Much</u> <u>better</u>
	<u><i>Our firm's or division's...</i></u>							
m)	delivery speed is.....	1	2	3	4	5	6	7
n)	delivery reliability is.....	1	2	3	4	5	6	7

PART III. Firm Entrepreneurial Orientation

3. Please indicate the extent to which you agree or disagree with the following statements regarding your firm's/division's entrepreneurial orientation on a scale of 1 to 7, where 1 is strongly disagree and 7 is strongly agree. (Circle one number for each statement.)

		<u>Strongly</u> <u>Disagree</u>						<u>Strongly</u> <u>Agree</u>
	<u><i>In the past 5 years...</i></u>							
a)	our firm or division has marketed many new lines of products or services.....	1	2	3	4	5	6	7
b)	changes in our firm's or division's products or service lines have usually been quite dramatic.....	1	2	3	4	5	6	7

	<u><i>In dealing with competitors, our firm or division...</i></u>							
c)	typically initiates actions which competitors then respond to.....	1	2	3	4	5	6	7
d)	is very often the first business to introduce new products/services, administrative techniques, operating technologies, etc.....	1	2	3	4	5	6	7
e)	typically seeks to avoid competitive clashes, preferring a 'live-and-let-live' posture.....	1	2	3	4	5	6	7
f)	favor a strong emphasis on new products, technological leadership, and innovations.....	1	2	3	4	5	6	7

Strongly
Disagree

Strongly
Agree

In general, the top managers of our firm or division...

- g) have a strong proclivity for high-risk projects (with chances of very high returns)..... 1 2 3 4 5 6 7
- h) believe that owing to the nature of the environment, bold, wide-ranging acts are necessary to achieve the firm's objectives..... 1 2 3 4 5 6 7

When confronted with decision-making situations involving uncertainty...

- i) our firm or division typically adopts a bold, aggressive posture in order to maximize the probability of exploiting potential opportunities..... 1 2 3 4 5 6 7

PART IV. Performance

4. Please indicate your perceptions of your firm's/division's financial performance on a scale of 1 to 7, where 1 is much worse and 7 is much better. (Circle one number for each statement.)

Much
Worse

Much
better

Compared to main competitors over the past 12 months, our firm's or division's...

- a) import sales volume was..... 1 2 3 4 5 6 7
- b) market share was..... 1 2 3 4 5 6 7
- c) profitability was..... 1 2 3 4 5 6 7

5. Please indicate your perceptions of your firm's/division's strategic performance on a scale of 1 to 7, where 1 is extremely poor and 7 is extremely successful. (Circle one number for each statement.)

		<u>Extremely</u> <u>poor</u>						<u>Extremely</u> <u>successful</u>
	<u>Over the past 12 months, our firm's or division's...</u>							
a)	creative contributions on the market were.....	1	2	3	4	5	6	7
b)	recognition as an expert in the industry was.....	1	2	3	4	5	6	7
c)	establishment of critical business relationships with suppliers, clients, etc. was.....	1	2	3	4	5	6	7
d)	accomplishment of business strategic goals was.....	1	2	3	4	5	6	7
	<u>Over the past 3 years, our firm's or division's...</u>							
e)	long-term stability in the market was.....	1	2	3	4	5	6	7

6. Please think about your main competitors and indicate the extent to which you agree or disagree with the following statements on a scale of 1 to 7, where 1 is strongly disagree and 7 is strongly agree. (Circle one number for each statement).

		<u>Strongly</u> <u>disagree</u>						<u>Strongly</u> <u>agree</u>
	<u>Over the past 12 months, our domestic clients are impressed with...</u>							
a)	our firm's or division's service quality.....	1	2	3	4	5	6	7
b)	the quality of the relationship between our two firms.....	1	2	3	4	5	6	7
c)	our firm's or division's reputation.....	1	2	3	4	5	6	7
d)	our firm's or division's overall total product/service offering.....	1	2	3	4	5	6	7
	<u>Over the past 12 months, our firm or division is impressed with...</u>							
e)	our domestic clients' loyalty to our firm or division.....	1	2	3	4	5	6	7

		<u>Strongly</u> <u>disagree</u>						<u>Strongly</u> <u>agree</u>
	<u>Over the past 12 months, our foreign suppliers are impressed with...</u>							
f)	our firm's or division's service quality.....	1	2	3	4	5	6	7
g)	the quality of the relationship between our two firms.....	1	2	3	4	5	6	7
h)	our firm's or division's reputation.....	1	2	3	4	5	6	7
i)	our firm's or division's overall total product/service offering.....	1	2	3	4	5	6	7
	<u>Over the past 12 months, our firm or division is impressed with...</u>							
j)	our foreign suppliers' loyalty to our firm or division.....	1	2	3	4	5	6	7

PART V. General Questions

7. These questions ask for demographic information of your firm. Please answer with your best estimate if exact data are not available.

- a) Does your firm or division own any physical apparel manufacturing facilities no matter how small in the United States?

_____ a) Yes (Please go to question b.)
 _____ b) No (Please go to question c.)

- b) If your answer was YES, what percentage of your firm's/division's total sales comes from your own firm's/division's domestic manufacturing facilities? (Please CHECK only ONE response.)

_____ a) less than 9%
 _____ b) 10—19%
 _____ c) 20—29%
 _____ d) 30—39%
 _____ e) 40—49%
 _____ f) over 50%

- c) If your answer was NO, what percentage of your firm's/division's total sales comes from your own firm's/division's import operations? (Please CHECK only ONE response.)

_____ a) less than 49%
_____ b) 50—59%
_____ c) 60—69%
_____ d) 70—79%
_____ e) 80—89%
_____ f) over 90%

- d) Does your firm or division own any stores to make direct sales to end-user consumers?

_____ a) Yes (Please go to question e.)
_____ b) No (Please go to question f.)

- e) If your answer was YES, what percentage of your firm's/division's total sales comes directly from your firm's/division's own retail stores? (Please CHECK only ONE response.)

_____ a) less than 9%
_____ b) 10—19%
_____ c) 20—29%
_____ d) 30—39%
_____ e) 40—49%
_____ f) over 50%

- f) How many years has your firm/division been directly involved in any type of import operations? (Please CHECK only ONE response.)

_____ a) less than 9 years
_____ b) 10—19 years
_____ c) 20—29 years
_____ d) 30—39 years
_____ e) 40—49 years
_____ f) over 50 years

- g) In the past 3 years, on average, from how many different countries did your firm or division import products? (Please CHECK only ONE response.)

_____ a) fewer than 4
_____ b) 5—9
_____ c) 10—14
_____ d) 15—19
_____ e) 20—24
_____ f) over 25

- h) In the past 3 years, across all countries from which you imported, what was the average number of suppliers per country? (Please CHECK only ONE response.)

_____ a) fewer than 4
_____ b) 5—9
_____ c) 10—14
_____ d) 15—19
_____ e) 20—24
_____ f) over 25

- i) In general, to how many different domestic clients did your firm or division supply products? (Please CHECK only ONE response.)

_____ a) fewer than 4
_____ b) 5—9
_____ c) 10—14
_____ d) 15—19
_____ e) 20—24
_____ f) over 25

- j) How many employees (including your overseas staff) would you estimate your firm or division has as of today? (Please CHECK only ONE response.)

_____ a) fewer than 49
_____ b) 50—149
_____ c) 150—299
_____ d) 300—499
_____ e) 500—749
_____ f) over 750

- k) If you have any overseas staff, what percentage of your firm's or division's employees are overseas employees? (Please CHECK only ONE response.)

_____ a) 0%
_____ b) 1—9%
_____ c) 10—19%
_____ d) 20—29%
_____ e) 30—39%
_____ f) over 40%

- l) What business classification BEST describes your firm's or division's MAJOR business? (Please CHECK only ONE response.)

_____ a) Manufacturer
_____ b) Wholesaler
_____ c) Retailer
_____ d) other (please specify) _____

- m) What product category BEST describes your firm's or division's MAJOR business?
(Please CHECK only ONE response.)

_____ a) Women's
_____ b) Men's
_____ c) Children's and Infants'
_____ d) Sleepwear/underwear
_____ e) Fur/Leather
_____ f) other (please specify) _____

- n) What is your firm's or division's annual gross sales figure in US\$? (Please CHECK only ONE response.)

_____ a) less than 4.9 million
_____ b) 5—24.9 million
_____ c) 25—49.9 million
_____ d) 50—99.9 million
_____ e) 100—499 million
_____ f) over 500 million

- o) What title best describes your position within your firm or division? (Please CHECK only ONE response.)

_____ a) CEO/President
_____ b) General Manager
_____ c) Vice President
_____ d) Division Manager
_____ e) Other (Please specify) _____

OPTIONAL

The researcher would be happy to share with you a detailed executive summary of the aggregate results of the study, including relevant and applicable information that may help you with practical business problems, at no cost. If you wish to receive a copy of the study results, please attach your business cards or provide your name and detailed address in the space below.

Name:

Title:

Mailing Address:

Phone:

E-mail:

COMMENTS

If there are any additional issues that are important to your firm but are not addressed by this survey or if you have general comments, please share them here.

Thank you so much for your cooperation!

CONTACT INFORMATION

Jung E. Ha-Brookshire
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Department of Consumer, Apparel, and Retail Studies
School of Human Environmental Sciences
University of North Carolina at Greensboro
210 Stone Building
PO Box 26170, Greensboro, NC 27402-6170
Phone: (336) 256-0268
Fax: (336) 334-5614
Email: j_ha@uncg.edu

APPENDIX E

MAIL SURVEY COVER LETTER

Date

Name, Title

Company, Address

Dear Mr./Ms. XXX,

I, Jung E. Ha-Brookshire, a Ph.D. candidate in the Department of Consumer, Apparel, and Retail Studies at the University of North Carolina at Greensboro, am seeking your support for an important business study. At the same time, I am offering you an excellent opportunity to receive an exclusive, Advance Executive Summary of the study results that will include immediate, relevant, and practical knowledge about US apparel firms' strategies and performance, at no cost, simply by participating in this important research. The study is part of the researcher's dissertation, investigating apparel firms' business practices. Specifically, you have been selected as the researcher believes that you can provide expert opinions and views of your firm's operations and performance over the past three to five years.

The enclosed survey can be completed in approximately 15 to 20 minutes. Your privacy and your company's privacy will be completely safeguarded as the data will be analyzed as aggregate, not individual, responses. Furthermore, this study is for academic purposes, not for any commercial gain. Your written survey responses will be kept strictly confidential in the researcher's locked office. Please take your time to answer all the questions as honestly as possible as there are no right or wrong answers. If you feel that you are not the most qualified individual at your company to fill out the survey, please forward this survey packet to that person and encourage that person to complete the survey.

As indicated above, the researcher would be happy to share with you an Advance Executive Summary of the aggregate study results, including relevant and applicable information that may help with practical business problems, at no cost. If you wish to receive a copy of the summary, please enclose your business card with your completed questionnaire or provide your name and detailed contact information at the end of the survey. If you do not want the summary, complete the survey without providing your firm's contact information. If you have any questions concerning your rights as a participant, you may contact Mr. Eric Allen, from the Office of Research Compliance at (336) 256-1482. If you have any questions regarding the research itself, you may contact the researcher at (336) 256-0268 or by e-mail at j_ha@uncg.edu.

Your time is at a premium; however, the quality of this important research is completely dependent on your response. Please return the completed survey in the enclosed self-addressed pre-paid envelope **at your earliest convenience or by December XX, 2006.** Thank you in advance for your valuable time.

Sincerely,

Jung E. Ha-Brookshire, Ph.D. Candidate

Department of Consumer, Apparel, and Retail Studies

University of North Carolina at Greensboro

Enclosures: Consent to act as a human participant, questionnaire, and self-addressed pre-paid return envelope

APPENDIX F

E-MAIL SURVEY COVER LETTER

Date:

Dear Mr./ Mrs. XXX:

It was a pleasure talking with you through the phone today. As we discussed, I am offering you an excellent opportunity to receive an exclusive, Advance Executive Summary of the study results that will include immediate, relevant, and practical knowledge about US apparel firms' strategies and performance, at no cost, simply by participating in this important research. The study is part of the researcher's dissertation, investigating apparel firms' business practices. Specifically, you have been selected as the researcher believes that you can provide expert opinions and views of your firm's operations and performance over the past three to five years.

The enclosed survey can be completed in approximately 15 to 20 minutes. Your privacy and your company's privacy will be completely safeguarded as the data will be analyzed as aggregate, not individual, responses. Furthermore, this study is for academic purposes, not for any commercial gain. Your written survey responses will be kept strictly confidential in the researcher's locked office. Please take your time to answer all the questions as honestly as possible as there are no right or wrong answers. Once completed, please save the file, check if you marked all your answers, and then simply send me your complete response by e-mail.

As indicated above, the researcher would be happy to share with you an Advance Executive Summary of the aggregate study results, including relevant and applicable information that may help with practical business problems, at no cost. If you wish to receive a copy of the summary, please indicate in your e-mail. If you have any questions concerning your rights as a participant, you may contact Mr. Eric Allen, from the Office of Research Compliance at (336) 256-1482. If you have any questions regarding the research itself, you may contact the researcher at (336) 256-0268 or by e-mail at j_ha@uncg.edu.

Your time is at a premium; however, the quality of this important research is completely dependent on your response. Please return the completed **at your earliest convenience or by December XX, 2006.** Thank you in advance for your valuable time.

Sincerely,

Jung E. Ha-Brookshire, Ph.D. Candidate
Dr. Barbara Dyer, Associate Professor
Department of Consumer, Apparel, and Retail Studies
University of North Carolina at Greensboro

Enclosures: Consent to act as a human participant and questionnaire

APPENDIX G

PHONE OR PERSONAL RECRUITMENT MATERIAL

Any participants who will be recruited via phone conversation or personal visits to apparel import firms will be informed the following information by the PI.

My name is Jung E. Ha-Brookshire and I am a Ph.D. candidate at the Department of Consumer, Apparel, and Retail Studies, University of North Carolina at Greensboro. I am offering you an excellent opportunity to receive an exclusive, Advance Executive Summary of the study results that will include immediate, relevant, and practical knowledge about US apparel firms' strategies and performance, at no cost, simply by participating in this important research. The study is part of the researcher's dissertation, investigating apparel firms' business practices. I am looking for opinions and views of apparel firms' executives and senior managers who would share important information regarding firm operations and performance over the past three to five years. With that information, I plan to make an in-depth investigation of apparel firms' business practices. Your assistance in filling out the attached questionnaire is extremely valuable to the quality of this study as your response would provide further insights into apparel firms' performance.

Written surveys will take approximately 15 to 20 minutes. Your privacy and your company's privacy will be completely safeguarded as the data will be analyzed as aggregate, not individual responses. Furthermore, this study is for academic purposes, not for any commercial gain. Your written survey responses will be kept strictly confidential in the researcher's locked office. Please take your time to answer all the questions as honestly as possible as there are no right or wrong answers. Once completed, please seal the envelope and return back to me.

I would be happy to share with you an Advance Executive Summary of the aggregate study results, including relevant and applicable information that may help with practical business problems, at no cost. If you wish to receive a copy of the summary, please indicate at the end of the survey. If you have any questions concerning your rights as a participant, you may contact Mr. Eric Allen, from the Office of Research Compliance at (336) 256-1482. If you have any questions regarding the research itself, you may contact the researcher at (336) 256-0268 or by e-mail at j_ha@uncg.edu. Thank you in advance for your assistance and time.

APPENDIX H

APPROVAL OF INSTITUTIONAL REVIEW BOARD (IRB) FOR THE USE OF HUMAN PARTICIPANTS IN RESEARCH: QUALITATIVE INTERVIEWS

THE UNIVERSITY OF NORTH CAROLINA
GREENSBORO

4/22/2005

MAY 04 2005

IRB File NUM:

045254

TITLE: Import Intermediary Project

PI: Ha.Jung-Eun

DEPT: TDM

CO_PIS:

FACULTY SPONSOR: Dyer.Barbara

Action Taken:

☐ eXempt from Full Review

☒ Expedited Review


☐ Full IRB Review

Disposition of Application:

☒ Approved

☐ Disapproved

MODIFICATIONS AND COMMENTS:


IRB Chair/Designee

APPROVAL DATE*: 5/3/05

EXPIRATION DATE*: 5/3/06

* Approval of Research is for up to **ONE** year only. If your research extends beyond one year, the project must be reviewed before the expiration date prior to continuation.

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APPENDIX I

APPROVAL OF INSTITUTIONAL REVIEW BOARD (IRB) FOR THE USE OF

HUMAN PARTICIPANTS IN RESEARCH:

MAIL SURVEY

THE UNIVERSITY OF NORTH CAROLINA
GREENSBORO

9/13/2006

IRB File NUM:

067050

TITLE: Antecedents and consequences of apparel import firms' performance in a hyper dynamic market e

PI: Ha-Brookshire,Jung

DEPT: CAR

CO_PIS:

FACULTY SPONSOR: Dver,Barbara

Action Taken:

☐ eXempt from Full Review

☒ Expedited Review

☐ Full IRB Review

Disposition of Application:

☒ Approved

☐ Disapproved

MODIFICATIONS AND COMMENTS:

Anne C. Fletcher
IRB Chair/Designee

APPROVAL DATE*: 9/22/06

EXPIRATION DATE*: 9/2/07

*Approval of Research is for up to **ONE** year only. If your research extends beyond one year, the project must be reviewed before the expiration date prior to continuation.

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APPENDIX J

MEASUREMENT PURIFICATION:

EXPLORATORY FACTOR ANALYSIS AND RELIABILITY ANALYSIS

EFA 1: AIIs' Capabilities

Kaiser's Measurement Sampling Adequacy: Overall MSA = 0.777

	V4	V9	V10	V12	V13	V14	V16
V18	0.817	0.771	0.808	0.686	0.662	0.853	
	0.836	0.796					

Note. All MSA indices are above 0.5, thus acceptable.

Eigenvalues of the Correlation Matrix: Total = 8 Average = 1

	Eigenvalue	Difference	Proportion	Cumulative
1	4.10733531	2.70275304	0.5134	0.5134
2	1.40458227	0.26239472	0.1756	0.6890
3	1.14218755	0.71700254	0.1428	0.8318
4	0.42518502	0.13839151	0.0531	0.8849
5	0.28679350	0.02616460	0.0358	0.9208
6	0.26062890	0.03978435	0.0326	0.9533
7	0.22084455	0.06840166	0.0276	0.9809
8	0.15244289		0.0191	1.0000

Rotated Factor Pattern (Standardized Regression Coefficients)

	Factor1	Factor2	Factor3
V4	-0.00468	0.88605	-0.03662
V9	-0.09438	0.88528	0.21393
V10	0.13842	0.84253	-0.12129
V12	0.06855	0.05688	0.90275
V13	0.01810	-0.02531	0.95287
V14	0.86053	-0.01638	0.10161
V16	0.88316	0.00232	0.04512
V18	0.91854	0.03126	-0.07044

Final Commuality Estimates After Rotation: Total = 6.654

	V4	V9	V10	V12	V13	V14	V16
V18	0.764	0.860	0.772	0.905	0.908	0.807	0.815
	0.822						

EFA 2: Positional Advantages

Kaiser's Measurement Sampling Adequacy: Overall MSA = 0.782

V19	V20	V21	V24 V30	V25	V26	V29
0.738	0.703	0.895	0.880	0.776	0.750	0.783
0.794						

Note. All MSA indices are above 0.5, thus acceptable.

Eigenvalues of the Correlation Matrix: Total = 8 Average = 1

	Eigenvalue	Difference	Proportion	Cumulative
1	4.89289086	3.41927307	0.6116	0.6116
2	1.47361779	0.81682079	0.1842	0.7958
3	0.65679700	0.33963653	0.0821	0.8779
4	0.31716047	0.03770087	0.0396	0.9176
5	0.27945961	0.03643611	0.0349	0.9525
6	0.24302350	0.16000225	0.0304	0.9829
7	0.08302125	0.02899173	0.0104	0.9932
8	0.05402952		0.0068	1.0000

Rotated Factor Pattern (Standardized Regression Coefficients)

	Factor1	Factor2
V19	0.03421571	0.9342115
V20	-0.0685747	1.00481736
V21	0.06788145	0.87113305
V24	0.87075732	-0.0859973
V25	0.92405964	-0.0069237
V26	0.93414052	-0.0283454
V29	0.78417239	0.09908809
V30	0.73427623	0.07969337

Final Commuality Estimates After Rotation: Total = 6.367

V19	V20	V21	V24 V30	V25	V26	V29
0.906	0.944	0.824	0.689	0.847	0.847	0.704
0.605						

EFA 3: AIIs' Performance

Kaiser's Measurement Sampling Adequacy: Overall MSA = 0.757

V41	V43	V44 V49	V46	V48
0.786	0.738	0.761 0.739	0.862	0.681

Note. All MSA indices are above 0.5, thus acceptable.

Eigenvalues of the Correlation Matrix: Total = 8 Average = 1

	Eigenvalue	Difference	Proportion	Cumulative
1	4.42175823	3.41494905	0.7370	0.7370
2	1.00680918	0.78297835	0.1678	0.9048
3	0.22383083	0.01733033	0.0373	0.9421
4	0.20650051	0.11607232	0.0344	0.9765
5	0.09042819	0.03975512	0.0151	0.9916
6	0.05067307		0.0084	1.0000

Rotated Factor Pattern (Standardized Regression Coefficients)

	Factor1	Factor2
RP1	-0.0672737	1.00014318
RP3	0.09747751	0.8800618
RP4	0.0083734	0.93518627
RP6	0.90156564	0.05380921
RP8	0.99737326	-0.0533762
RP9	0.94775035	0.02239286

Final Commuality Estimates After Rotation: Total = 5.429

V41	V43	V44 V49	V46	V48
0.921	0.890	0.884 0.925	0.876	0.932

Reliability Analysis: Market Interpretation Capabilities

<u>Simple Statistics</u>					
Variable	N	Mean	Std Dev	Sum	Minimum
			Maximum		
V4	159	5.62264	1.25627	894.00000	1.00000
			7.00000		
V9	159	5.61635	1.30626	893.00000	1.00000
			7.00000		
V10	159	5.61635	1.25687	893.00000	1.00000
			7.00000		

Cronbach Coefficient Alpha

Variables	Alpha
Raw	0.858710
Standardized	0.858418

Cronbach Coefficient Alpha with Deleted Variable

Raw Variables		Standardized Variables		
Deleted Variable	Correlation with Total	Alpha	Correlation with Total	Alpha
V4	0.706895	0.825869	0.705867	0.826229
V9	0.785565	0.750921	0.785565	0.750921
V10	0.708458	0.824453	0.707395	0.824822

Pearson Correlation Coefficients, N = 159

Prob > |r| under H0: Rho=0

	V4	V9	V10
V4	1.00000	0.70187 <.0001	0.60118 <.0001
V9	0.70187 <.0001	1.00000	0.70391 <.0001
V10	0.60118 <.0001	0.70391 <.0001	1.00000

Reliability Analysis: Sourcing Capabilities

<u>Simple Statistics</u>					
Variable	N	Mean	Std Dev	Sum	Minimum
V12	159	5.59119	1.04466	889.00000	2.00000
V13	159	5.69811	1.17330	906.00000	1.00000

Cronbach Coefficient Alpha

Variables	Alpha
Raw	0.896444
Standardized	0.899773

Cronbach Coefficient Alpha with Deleted Variable

Variables		Raw Variables		Standardized	
Alpha	Deleted Variable	Correlation with Total	Alpha	Correlation with Total	
0.817807	V12	0.817807	.		
0.817807	V13	0.817807	.		

Pearson Correlation Coefficients, N = 159

Prob > |r| under H0: Rho=0

	V12	V13
V12	1.00000	0.81781 <.0001
V13	0.81781 <.0001	1.00000

Reliability Analysis: Service Capabilities

<u>Simple Statistics</u>					
Variable	N	Mean	Std Dev Maximum	Sum	Minimum
V14	159	5.92453	0.96487 7.00000	942.00000	1.00000
V16	159	6.01258	0.90699 7.00000	956.00000	2.00000
V18	159	5.92453	1.04668 7.00000	942.00000	1.00000

Cronbach Coefficient Alpha

Variables	Alpha
Raw	0.882184
Standardized	0.884094

Cronbach Coefficient Alpha with Deleted Variable

Raw Variables			Standardized Variables	
Deleted Variable	Correlation with Total	Alpha	Correlation with Total	Alpha
V14	0.771512	0.832938	0.771910	0.837912
V16	0.776486	0.832232	0.776506	0.833840
V18	0.774773	0.834304	0.774935	0.835234

Pearson Correlation Coefficients, N = 159

Prob > |r| under H0: Rho=0

	V14	V16	V18
V14	1.00000	0.71708 <.0001	0.71503 <.0001
V16	0.71708 <.0001	1.00000	0.72104 <.0001
V18	0.71503 <.0001	0.72104 <.0001	1.00000

Reliability Analysis: Cost Advantages

<u>Simple Statistics</u>					
Variable	N	Mean	Std Dev Maximum	Sum	Minimum
V19	159	5.06289	1.03536 7.00000	805.00000	1.00000
V20	159	5.10692	1.07675 7.00000	812.00000	1.00000
V21	159	5.42767	1.09347 7.00000	863.00000	1.00000

Cronbach Coefficient Alpha

Variables	Alpha
Raw	0.937622
Standardized	0.938240

Cronbach Coefficient Alpha with Deleted Variable

Raw Variables			Standardized Variables	
Deleted Variable	Correlation with Total	Alpha	Correlation with Total	Alpha
V19	0.890142	0.895122	0.890819	0.895181
V20	0.924980	0.865699	0.926776	0.866431
V21	0.801757	0.963711	0.801305	0.964094

Pearson Correlation Coefficients, N = 159

Prob > |r| under H0: Rho=0

	V19	V20	V21
V19	1.00000 <.0001	0.93068 <.0001	0.76434
V20	0.93068 <.0001	1.00000	0.81025 <.0001
V21	0.76434 <.0001	0.81025 <.0001	1.00000

Reliability Analysis: Product Advantages

<u>Simple Statistics</u>					
Variable	N	Mean	Std Dev Maximum	Sum	Minimum
V24	159	5.38365	1.19492 7.00000	856.00000	1.00000
V25	159	5.97484	1.07297 7.00000	950.00000	2.00000
V26	159	5.88050	1.02107 7.00000	935.00000	2.00000

Cronbach Coefficient Alpha

Variables	Alpha
Raw	0.912466
Standardized	0.917199

Cronbach Coefficient Alpha with Deleted Variable

Raw Variables			Standardized Variables	
Deleted Variable	Correlation with Total	Alpha	Correlation with Total	Alpha
V24	0.749827	0.945893	0.750413	0.946505
V25	0.849756	0.853506	0.858078	0.859534
V26	0.889307	0.826615	0.893737	0.829421

Pearson Correlation Coefficients, N = 159

Prob > |r| under H0: Rho=0

	V24	V25	V26
V24	1.00000 <.0001	0.70856 <.0001	0.75367
V25	0.70856 <.0001	1.00000	0.89844 <.0001
V26	0.75367 <.0001	0.89844 <.0001	1.00000

Reliability Analysis: Service Advantages

<u>Simple Statistics</u>					
Variable	N	Mean	Std Dev Maximum	Sum	Minimum
V29	159	5.54088	1.23628 7.00000	881.00000	1.00000
V30	159	5.77358	1.19028 7.00000	918.00000	2.00000

Cronbach Coefficient Alpha	
Variables	Alpha
Raw	0.842853
Standardized	0.843203

<u>Cronbach Coefficient Alpha with Deleted Variable</u>				
Raw Variables			Standardized Variables	
Deleted Variable	Correlation with Total	Alpha	Correlation with Total	Alpha
V29	0.728912	.	0.728912	.
V30	0.728912	.	0.728912	.

<u>Pearson Correlation Coefficients, N = 159</u>			
Prob > r under H0: Rho=0			
	AS3	AS4	
AS3	1.00000	0.72891 <.0001	
AS4	0.72891 <.0001	1.00000	

Reliability Analysis: Relationship Performance with Domestic Clients

<u>Simple Statistics</u>					
Variable	N	Mean	Std Dev Maximum	Sum	Minimum
V41	159	5.94969	0.98597 7.00000	946.00000	2.00000
V43	159	5.95597	1.01474 7.00000	947.00000	2.00000
V44	159	5.96226	0.99928 7.00000	948.00000	2.00000

Cronbach Coefficient Alpha

Variables	Alpha
Raw	0.941940
Standardized	0.942058

Cronbach Coefficient Alpha with Deleted Variable

Raw Variables			Standardized Variables	
Deleted Variable	Correlation with Total	Alpha	Correlation with Total	Alpha
V41	0.896025	0.902398	0.895953	0.902456
V43	0.877662	0.916532	0.877811	0.916576
V44	0.863737	0.927078	0.863920	0.927284

Pearson Correlation Coefficients, N = 159

Prob > |r| under H0: Rho=0

	V41	V43	V44
V41	1.00000	0.86443 <.0001	0.84600 <.0001
V43	0.86443 <.0001	1.00000	0.82225 <.0001
V44	0.84600 <.0001	0.82225 <.0001	1.00000

Reliability Analysis: Relationship Performance with Foreign Suppliers

<u>Simple Statistics</u>					
Variable	N	Mean	Std Dev Maximum	Sum	Minimum
V46	159	5.60377	1.10819 7.00000	891.00000	1.00000
V48	159	5.77987	1.07119 7.00000	919.00000	1.00000
V49	159	5.72327	1.05490 7.00000	910.00000	1.00000

Cronbach Coefficient Alpha

Variables	Alpha
Raw	0.950010
Standardized	0.950453

Cronbach Coefficient Alpha with Deleted Variable

Raw Variables			Standardized Variables	
Deleted Variable	Correlation with Total	Alpha	Correlation with Total	Alpha
V46	0.866517	0.949260	0.866536	0.949318
V48	0.907813	0.916940	0.908610	0.917543
V49	0.911587	0.914590	0.912093	0.914876

Pearson Correlation Coefficients, N = 159

Prob > |r| under H0: Rho=0

	V46	V48	V49
V46	1.00000	0.84311 <.0001	0.84765 <.0001
V48	0.84311 <.0001	1.00000	0.90353 <.0001
V49	0.84765 <.0001	0.90353 <.0001	1.00000

APPENDIX K

PERMISSION TO REPRINT



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www.MarketingPower.com

January 23, 2007

Jung-Ha Brookshire, Ph.D Candidate
Consumer, Apparel and Retail Studies
University of North Carolina at Greensboro
210 Stone Building, P.O. Box 26170
Greensboro, NC 27402-6170

PERMISSION GRANTED

Dear Ms. Brookshire,

The American Marketing Association is please to grant you permission to reprint **"Figure 1: A Schematic of the Resource-Adamtage Theory of Competition"** from the *"October 1997 issue of Journal of Marketing"*, to be reprinted as part of your dissertation, referred to in your request dated 01/19/07.

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Sincerely,

Rochelle Brown

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Administrative/Permission Assistant
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